

Take Rocko Excavating\*, for example, a fictitious company that represents the typical construction firm started by a former operator who saw the potential of working for himself. The answer will always be, "Not perfectly." But the good news is, you're not locked into the system. If you designed it properly and your accounting system offers enough flexibility, you can run tests on your current system, trying different things here and there, wherever appropriate. You may think that consistency is essential, but as Ralph Waldo Emerson said in his essay, Self-Reliance, "A foolish consistency is the hobgoblin of little minds." It should allow alphanumeric codes for the categories and at least three levels of costs – job, task, and classification such as labor, materials, equipment, etc. In either case, burden definitions should be flexible enough to allow you to define your own types and amounts, but should be tracked automatically with payroll and require no extra transactions. In the early days of Rocko Excavating, Rocko did all the estimating himself and ran an off-the-shelf accounting software that a friend Those companies recommended. If you have to enter separate transactions or employ spreadsheets for normal accounting functions and the recording of job costs, the technology is not making you more efficient. Ideally, your accounting software should offer reports that show cost breakdowns on many levels, from total costs for the entire company, to labor costs per task, to costs per cost category on a job. o If you perform overhead allocation, you can examine job expenses with and without overhead, allowing you to get a feel for the impact these types of expenses have on your overall profitability as a company. Should I bring in tasks that I've been subcontracting or vice-versa, subbing-out tasks I ordinarily do with in-house labor? o Suitable reports