Why You Should Consider Construction-Specific Software

Presented by

Deltek + ComputerEase
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John has been with Deltek + ComputerEase for 22 years. Deltek + ComputerEase currently has over 6,000 customers. In today’s rapidly changing, fast paced world, a big part of John’s role is to ensure that Deltek + ComputerEase equips customers with the most cutting-edge technology. Prior to Deltek + ComputerEase, John spent 10 years working for a large mechanical contractor.
Challenges By the Numbers

39%  
Only 39% of construction companies survive beyond the first five years

25%  
Just 25% of projects came within 10% of their original deadlines in the past 3 years

45%  
of construction professionals report spending more time than expected on non-optimal activities

52%  
of rework is caused by poor project data and miscommunication

9%  
of total project cost is closer to the actual total cost of rework, considering direct and indirect factors combined
Common Pitfalls

• Not tracking committed costs
• Confusing margin with markup
• Confusing % spent with % complete
• Not running frequent WIP reports
• Not making WIP adjustments in the P&L
Why Construction-Focused Software

Job Cost Accounting
In order to have full transparency of the health of your construction business, jobs need to be tracked properly. Standard accounting software can’t accommodate this industry-specific need.

Experienced Support
Construction accounting is very nuanced. Standard accounting support without industry experience is not very valuable when you are trying to learn or solve a problem.

Operational Efficiency
You are limiting your success if you are using multiple systems, spreadsheets, paper, etc. Construction-focused software is one system to run your entire business as efficiently as possible.
What are Committed Costs?

A committed cost is a payment obligation that you can’t recover. You are committed to paying that money no matter what.
Examples of Committed Costs

• An open contract or subcontractor agreement is a committed cost. You haven’t paid the contractor yet, and at first glance it might appear the money is still available, but it’s money already committed.

• Purchase orders applied to a job are also committed costs. Even if you are waiting for delivery or the bill for the materials hasn’t been paid, they are a committed cost.

• As time comes in from the field, it becomes a committed cost. Even if the payroll hasn’t gone out, that money is committed. For example, if you pay employees every two weeks, you need to track labor and hours during those two weeks even if the money hasn’t gone out yet. That’s unposted payroll – a committed cost that will impact your bottom line.

• Expenses in the field are another committed cost. When you use a credit card for supplies or materials in the field, that money goes against the project budget.
# Margin vs. Markup

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<th>Margin</th>
<th>Markup</th>
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| Margin shows the revenue earned after paying the overhead as a percentage of the gross profit.  
\[(\text{Gross Profit/Revenue}) \times 100\] | Markup shows how much more your selling price is than the amount sale cost you.  
\[(\text{Gross Profit/Cost}) \times 100\] |
Margin vs. Markup

Revenue = $200,000
Cost = $150,000
Gross Profit = $50,000

Margin
$50,000/$200,000 x 100 = 25%

Markup
$50,000/$150,000 x 100 = 33.33%

*Therefore, if you want to make 25% margin, you have to markup the cost 33.33% when you estimate/bid
Margin vs. Markup

Confusing margin with markup is one of the most common mistakes made in construction accounting.

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Are You Playing to Win?

Imagine playing a game and not knowing the score of the game until after the game is over. That is essentially what you are doing if you aren’t job costing and running frequent WIP reports.
Why are WIP Reports Essential?

• Better management of your jobs
  • Make smarter day to day decisions
  • Be proactive instead or reactive

• Accurate financial statements
  • The over/under billing from the WIP is key to an accurate financial statement
  • Companies should be using this data to help grow their bottom-line profits

Ultimately, if a company is not making money, everything else becomes irrelevant.
How Often Should I Run a WIP Report?

• Some only run a WIP report when absolutely required
• Others monthly or weekly
• The frequency of your reporting will be based on the specific parameters of your unique business
Calculating Cost to Complete

• Units Completed
• Percent Completed
• Cost to Finish
Units Complete

• There are 100 light fixtures to install and we have installed 50 of them. The project is 50% completed.
• However if 80% of the budget has been spent, we have a problem.
Percent Complete

• When you don’t have a measurable unit.
• An educated guess is still better than “I don’t know.”
Cost to Finish

• What do I need to finish the job?
• I already know what we have spent to date

Cost to Date + Cost to Finish = My Revised Estimate
WIP Summary

• Units complete, % complete, cost to finish
• Better than just comparing the estimated cost to the actual costs
• $100K budgeted job, $50K has already been spent
  • Worst assumption would be that job is 50% complete
  • Odds against you that you will spend exactly $100,000
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Job Cost Accounting

• Keep jobs on track, on budget, and on schedule with complete visibility into every aspect of job costing

• Apply your business operational nuances to the ComputerEase experience with its superior flexibility

• Run critical business-success reports such as Work-in-Progress so that you always stay profitable

• Customize each user’s product experience with the Workflow menu so that they can focus on what is most important to their role
Work-in-Progress

» View the health of every job with Deltek + ComputerEase’s robust WIP reporting capabilities so that you can make better business decisions

» Generate custom WIP reports to include the detail you need

» Utilize specific WIP reports that also include cashflow or period costs
Project Management

• Easily schedule tasks and keep projects on task
• Manage projects the way they are run in construction
• Simplify project delivery by streamlining the way documents are managed
• Effectively provide resource transparency within your organization with the Daily Schedule Board
Service Management

- Manage both long-term jobs and service work orders within one core accounting system
- Leverage the Dispatch Board and FieldEase to fully connect and streamline service management
- Efficiently manage Work Orders, Service Contracts, and keep information flowing in from with field
Field-to-Office Collaboration

• Eliminate the disconnect between the field and the office
• Remove paper from your day-to-day operations
• Proactively make decisions based on real-time information from the field
• Allow your workforce to track expenses, submit time, relieve inventory, submit field logs, facilitate work orders, and view key employment details whenever, wherever
Reporting & Business Intelligence

- Use Management Centers as intelligence dashboards to make critical business decisions with comprehensive data
- Create custom reports that can be seamlessly exported and connected to Excel
- Customize key metrics to be reported that are specific to your industry, but more importantly to your specific business operations
- Work on multiple reports at a time
If you have questions that we can’t get to now, feel free to contact us at:
sales@computerease.com