

JOB COSTING

Job Costing in ABM allows you to associate costs with a Job. The versatility of ABM Job Costing allows you to associate costs on a small job (such as car repair), medium sized Jobs, and even large projects (such as construction of a Shopping Centre)

In this document we will deal with job costing from the simple job, to the complex job, and incorporating Project Invoicing, Sub Contractor Payments and Service.

Appendix 1 will give you an outline of the types of industries where job costing is suitable for.

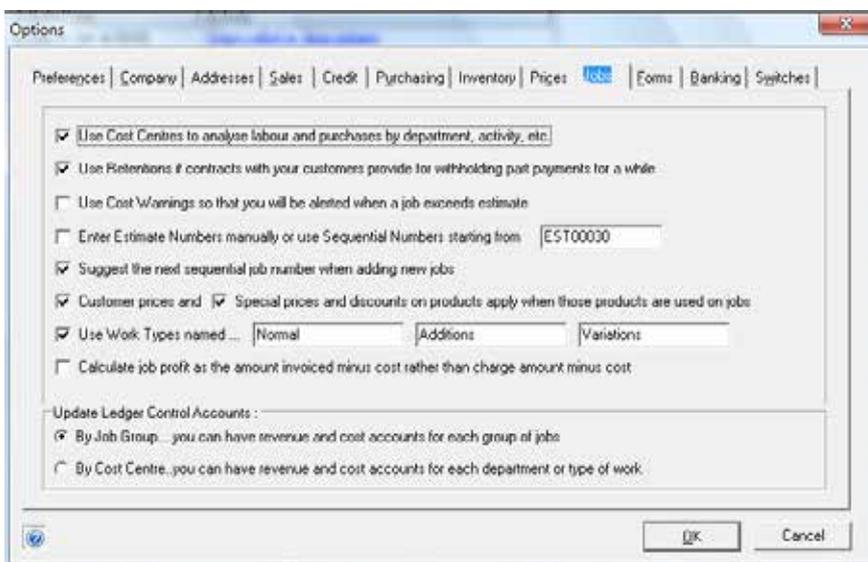
Appendix 2 will deal with setting up the peripheral details for the job such as Priorities, Cost Centres, Employees, Status and Labour Rates.

OBJECTIVE OF JOB COSTING:

The objective of Job costing is to record all costs relating to the Job, and when the job is complete it can be invoiced to a customer, and the profitability of the job accessed.

Job Costing Options:

In tools\options\jobs you can select various options which control the job costing functionality.



Options

Preferences | Company | Addresses | Sales | Credit | Purchasing | Inventory | Prices | **Jobs** | Forms | Banking | Switches

Use Cost Centres to analyse labour and purchases by department, activity, etc.

Use Retentions if contracts with your customers provide for withholding part payments for a while

Use Cost Warnings so that you will be alerted when a job exceeds estimate

Enter Estimate Numbers manually or use Sequential Numbers starting from EST00000

Suggest the next sequential job number when adding new jobs

Customer prices and Special prices and discounts on products apply when those products are used on jobs

Use Work Types named ... Normal Additions Variations

Calculate job profit as the amount invoiced minus cost rather than charge amount minus cost

Update Ledger Control Accounts :

By Job Group ... you can have revenue and cost accounts for each group of jobs

By Cost Centre ... you can have revenue and cost accounts for each department or type of work

OK Cancel



- Use Retentions if contracts with your customers provide for withholding part payments – It is possible that when you invoice some jobs that the customer may wish to retain a percentage to cover any defects that may occur. This is very common on construction type of jobs. If retentions are likely to be withheld on some jobs then select this option.
- Use Cost Warnings so that you will be warned when the job exceeds the estimate – if you are constantly preparing estimates and want to ensure that the costs do not exceed the amount you initially estimated then select this option and if the total value of the actual costs are exceeded then a warning will be displayed as you enter a cost which causes the actual to exceed the estimate.
- Enter Estimate Numbers Manually or Sequential Numbers starting from ? – Each time you create an estimate it will have a unique reference. Therefore, you can enter this unique reference manually or set a sequential starting number which will be incremented each time you create an estimate.
- Suggest the Next Sequential Job Number when adding new jobs – when you create a new job you will need to give this job a unique number or job code. If you do not wish to add this manually each time you create the job then you can select this option and the job number will be automatically assigned for the job on creation.
- Customer Prices and Special Prices and Discounts on products apply when the products are used on the job – When transferring products to jobs the price is normally taken from the price 1 specified on the product. However, if you have a customer assigned to the job then by selecting this option the customer's price will apply to the suggested charge value for that product. The same will apply if you have a special price or discount set for that customer. Note: if you select to use the customer price the selection of the special price or discount is optional and if you want this to apply also you need to select both options.
- Use Work Types Named – When entering costs against a job you can specify what classification the work falls into. An example would be where you have agreed to do work based on an estimate but additional work needs to be done at the request of the customer. In this case the initial work could be classified under Normal and the additional work requested by the customer could be classified under Additions. These classifications are user definable.
- Calculate Job Profit as the amount invoiced less cost rather than the charge amount less costs – when you enter a cost against a job you will also enter a charge and the financial tab on the job will show the profit based on the charge less the cost. However, some companies would prefer to evaluate the profit based on what was actually invoice less the actual costs. If you prefer the later then select this option. Note: if this option is selected then the Profit on the job will not be calculated until an invoice has been raised for the



job.

- **Ledger Postings:** You can determine how the automatic postings for the job will be controlled. If you wish to have the different job types posting to have different automatic posting then you can select Job Groups. However, in some organisations it may be more appropriate to have the postings determined by the Cost Centres. An example of this is perhaps an air Conditioning installation company. They may want to see all postings (Purchases, WIP, Sales etc) for Installations posted to specific ledger accounts, and have automatic postings for Servicing the Air Conditioning posted to separate accounts. In that case they would select the second option and setup Cost Centres for Installations, Service etc.

SMALL JOBS

The definition here of a small job is one where the number of transactions is small, and is not complex, (it is not related to the value of the job). In that context there are a number of features such as Cost Centres, Job stages, Priorities and Job Stages that will be discussed later. However, it is still possible to use these features on a small job, as they can apply to all types of jobs.

An example of a small job would be, a garage repairing a car for an individual. In this case, we will take a situation whereby the garage owner will give an estimate initially for the repairs, and when successful will carry out the work.

The first step the garage owner will do is to create the Job Card (Job account in ABM).

To do this you would select the Job Costing List on the left hand side of ABM, and select New.

The details to be entered for the job will depend on the amount of information required as follows:

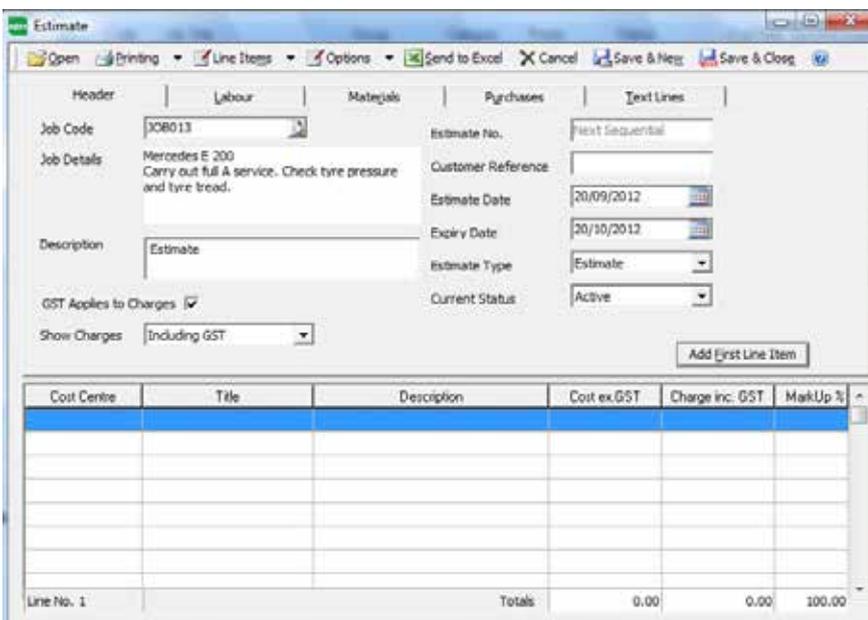
- **Job Title:** You would need to enter a title for the job so that you can easily identify that job. In the case of the car repair the user would probably enter the car registration and make.
- **Job Code:** The code to be entered is to distinguish each job. Job codes can be set to automatically increment (in tools\options\Jobs) or you could enter a code which suites the organisation.
- **Job Group:** You can assign a job to a job group. The job group determines which ledger accounts to automatic posting will be posted to. As well as the automatic posting setup you could use this also for filtering and reporting. Example you could setup groups for General Service, Crash Repairs etc.
- **Job Manager:** If you want to assign a job to a manager then you can select the appropriate person. This will be further discussed

later relating to larger jobs where different managers are in charge of different jobs.

- **Job Description:** If you wish you could enter a details description of the work to be done.
- **Financial:** On the financial tab you can select the GST category for this job. When you invoice the job it will pick up this GST code for invoicing. You can also setup the Mark up required for each job if required. Therefore, if you are purchasing parts for a job you can enter say 20% for purchases and this will automatically add 20% to the cost of the purchases as a suggested charge for that item on the job. Similarly you could enter a percentage for labour and this will add that percentage to your labour cost or you could have a set charge for labour in which case you would not enter anything in the mark up section for labour.
- **Parent Job:** This will be discussed later. However, if you are servicing a fleet of cars for a company then you could setup a job for the company and the select this job as a parent job for all the vehicles in the fleet. This will allow you to see the overall profitability for that company.
- **Note:** There are other fields that can be used and will be dealt with later in relation to a more appropriate use of these fields.

ESTIMATE

Now that you have setup the job you may wish to give an estimate for the work to be done. The estimate can be amended at any time and several estimates can be given if required. To create an estimate, select the job and select Estimate and the following screen will appear.



The screenshot shows the 'Estimate' window with the following details:

- Header:** Job Code: JOB013, Estimate No.: Next Sequential
- Job Details:** Mercedes E 200, Carry out full A service. Check tyre pressure and tyre tread.
- Description:** Estimate
- Estimate Date:** 20/09/2012
- Expiry Date:** 20/10/2012
- Estimate Type:** Estimate
- Current Status:** Active
- Other options:** GST Applies to Charges (checked), Show Charges (Including GST)

Cost Centre	Title	Description	Cost ex GST	Charge inc. GST	MarkUp %
Line No. 1		Totals	0.00	0.00	100.00



You can change the date of the estimate and the date the estimate will expire if relevant. Initially you would probably leave the status as Active but can be changed later to Accepted or Rejected if necessary.

You now need to build up the estimate by entering projected costs. Therefore, you can select the materials you will require such as brake pads, oil filters, oil etc by selecting the tab Materials and selecting the required product items.

Having selected the materials you will need to estimate the amount of time for each mechanic working on the car. To select the labour cost select the Labour tab. You will note that the labour types will appear rather than the employee names. The reason for this is that at this state you probably do not know who will be doing the work. Therefore, you might select Mechanic and then Apprentice or Spray Painter depending on the work to be done.

If you need to purchase materials specifically for this job which you do not normally carry in stock you can select the Purchases tab and enter the details of what is required. Note you do not have to enter a supplier when entering the details here. However, it is useful to select a supplier as will be explained later you can produce Purchase Orders based on estimates if required.

You can select the description from your product list (if it is on your list) by selecting the magnifying glass next to the description field or just type in the description.

When you have finished entering the details then you can view the screen to see what has been entered and see the overall cost and the overall suggested charge.

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