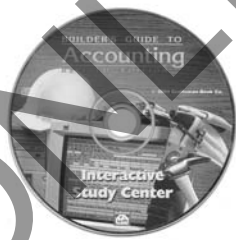


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**section one**

# **Sales and Accounts Receivables**

*Why Keep Records?*

*Accounting Methods*

*Cash and Charge Sales*

*Managing Receivables*

*Bad Debt Procedures*

*Sales Records and Cash Budgeting*

*Sales Planning*

*Planning for Profits*

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## chapter one

# Why Keep Records?

**T**his reference is for builders, contractors, subcontractors, and anyone in specialty trades. It's geared to the problems builders have in maintaining a good set of useful books. Company sizes range from one-man operations all the way up to some of the world's largest corporations. The smaller the business, the more it needs economical record keeping.

A business operating out of a small office on a tight budget often can't afford full-time bookkeeping and accounting services. Since the bidding is so competitive, the small operation with the lowest possible overhead will be most likely to bid in line with larger companies, win contracts, and make a profit. Just like an outfit that wastes material and manhours, the operation that depends too much on expensive professional services can't compete with an efficient shop.

I'll provide step-by-step suggestions for keeping books and records, and won't burden you with unnecessary terminology. I'll explain the examples in detail and use illustrations to show how to simplify the process of maintaining a good set of books. This book isn't for accountants. It's meant to help the owner or manager of a construction company save money and time by getting involved in much of his or her own record keeping.

You can use the information immediately. Without revamping your books all at once, you should be able to streamline gradually and still have all the information that you and your accountant need. And you can adapt these suggestions to the needs of your operation. Every business is different, and no one method will work for everyone.

In the beginning, you'll probably need to spend some time developing the ability to use your financial information to your own benefit. But in time, you'll only need a few hours each week. You'll be a better-rounded businessperson when you're involved in the development of your own financial information.

You don't need an accounting background to keep your own in-house books. You do need the desire to be involved, to increase your understanding, and to cut your overhead. When you can look at a financial report and use the information in it effectively, you'll have added a new dimension to

your management skills. Then you can comfortably leave preparing the financial statements and tax returns to your accountant — your financial subcontractor.

Now let's answer the question posed by the chapter title: Why Keep Records?

Builders have to keep books just like other business owners. But yours must be especially complete and efficient. Today's construction contractor is operating in a complex industry, and a good set of records is as necessary as any modern piece of equipment.

You know that when you estimate the cost of a job, a major part of your bid is for labor. Imagine how few contracts you'd win if your labor was twice as expensive as everyone else's. The same holds true for a bookkeeping method. The less time you have to spend, or pay someone else to spend, the less it will cost you to keep your books. Reducing your cost (while achieving maximum efficiency) is the goal of a well-designed bookkeeping system. If you can reach that goal and still have the numbers you need, you'll have a good set of books. And you'll definitely save time and money.

---

## ■ The Records You Need

The law requires that you keep financial records. As a result, many builders think of their bookkeeping as a necessary evil, and nothing more. But if you can make good use of the financial information in your books, you'll be a more informed manager. The more insight you develop, the more effective you'll become. That's why people maintained complete business records in the United States long before the income tax even existed.

A set of books should tell you everything you need to know in the least complicated way possible. The fewer papers you have to push, the better. A method should contain just the right amount of information — no more and no less than you really need. This guideline is one often forgotten by business people — accountants included.

A method that gives you too little information isn't going to save you time. Sooner or later, you'll have to go back and fill in the gaps. Imagine working from a blueprint only half completed or a set of specs with missing pages. If you don't have it all, you're wasting your time.

On the other hand, a method with unneeded features will be time-consuming and expensive. Whether you do the work yourself or pay someone else, it's costing you. A good method doesn't have any fat. The following is an overview of a good accounting system for builders. Each component will be discussed in detail later in this guide.

---

## Sales

The sales journal is a detailed record of all your income from operations. You need this detail for financial statements. It also provides a good way for you to see how you're doing compared to last year, last month, or last week.

The comparison of income to past performance is very important to you in planning. No matter what direction your business takes, you should have an idea of your probable cash flow — how much cash will be coming in, and when. You can't make informed plans unless you know your future income potential.

Keeping track of sales also gives you the information you need to back up what you report for sales tax (if your state levies a sales tax). Sales records are also needed for some insurance reports, Census Bureau reports, and other forms you have to provide to various governmental agencies. For example, some states collect a tax based on hauling and freight operations income. A sales journal breaks out this type of sale and supports what you claim when you file a report. Verifying reported information is one important support feature of a set of books.

Good sales records are also helpful in finding the right market for your services. Because there are so many different kinds of contracting markets, you must know which ones will let you compete most profitably. You must develop an understanding of the financial effects of providing or not providing a particular kind of service. For example, you might assume you're making money in one type of work. Good records will help you determine exactly how your company is doing in that area. The result will help you decide which types of jobs are best for your company.

Sales records should provide information on specific jobs as well. There is more than one way to account for income. Picking the best accounting method to use can have a dramatic effect on your financial statements and tax liability. Don't just leave these decisions to your accountant. When you understand reporting methods and their consequences, you'll be able to evaluate alternatives yourself.



## Receivables

Naturally, you need to know who owes you money. Your method of keeping track of receivables is important to the accuracy of your billings, your collections, bad debts, and financial statements. Contractors have special problems with receivables because there are considerations such as retainages. You need to account for these withheld amounts separately from your normal trade receivables. And Census Bureau reports for many of the trades require information on accounts receivable.

Many builders run into their single largest book-keeping problem when it comes to keeping track of receivables. It takes a lot of record keeping and a lot of time to keep up a customer ledger. Finding a good method isn't always easy. Many apparently good ideas for saving time actually result in a greater workload, while providing you with less control. It's easy to come up with "improvements" that actually result in duplication of effort. Not only will you waste a lot of time writing down the same information two or even three times, but you soon lose touch with the real purpose for the work.

When you send a bill for work after the job is done (instead of receiving cash immediately) it's inevitable that you'll *never* collect some of your receivables. Surprisingly, many builders are very casual about doing work on credit. If your volume increases greatly over a short time, it's important to look at bad debt statistics critically. You might discover that the percentage of total receivables that go bad is increasing. Understanding the direction your bad debts are going gives you two advantages: you can budget for them *and* take the steps necessary to tighten up on collection procedures. This could reduce your bad debt losses.

When you check historical information on receivables and bad debts, you may discover a trend. But without detailed accounting information you won't have a clear picture of the direction you're going. You need more than a general familiarity with your own business affairs to make important decisions. You've got to have the facts, and understand the trends.

## Checks

Knowing where your money goes is important for controlling direct costs and overhead. And besides controlling expenses, you need to come up with a good way to analyze costs by job. Your billings, which are based on actual spending, require 100 percent accuracy.

The check register is a listing of all checks, with expenses broken down into categories. It's important to write up this record each month, or even better, each week. It would be foolish to wait until the end of the year to construct a check register for the previous twelve months. Considering the number of checks most businesses write in a year, there would be no hope for any effective control this way.

Good controls require timely information. Watching from month to month where you're spending money gives you the information you need when you need it. Your accountant needs updated information to post your general ledger. Your analysis of budgeted and actual expenses must show a current total each month. The check register is essential for balancing your bank account as well.

Like most good sets of records, a check register should be flexible. You can set it up to provide a fool-proof method for checking the accuracy of your math. This requires listing all check amounts twice — once in a "total" column and again in a category of accounts column, such as "materials" or "office supplies." This is one case where writing something twice isn't a wasteful duplication of effort. A double listing gives totals for all expenses and also shows expenses by category.

To collect direct cost records by job, many builders make copies of invoices for the job file, or recopy the information from the check register. This *is* duplication of effort. Both of these methods waste time and accumulate incomplete information. Instead, break down your check register by job to save time. Make your check register the primary control tool.

The check register is also a primary source of other important information. Your check register can be arranged in many ways. The method you use should fit your business. Your books and records, if efficient and flexible, can be worth the investment you make in them many times over.

## Payroll

Complete payroll records show you labor costs by job and provide information essential for union reports and payroll tax returns. Many of these records are required by law. Your records, in addition to being useful, should be designed to meet the legal requirements. Otherwise, you'll spend extra time going through and reorganizing your records every time a payroll report is due.

A necessary part of payroll bookkeeping is organization. Breaking out information by job can be difficult if you have to start from scratch to construct

a report for each different kind of information you need. Here again, you can avoid the cumbersome and lengthy paperwork so often seen in payroll methods.

Too few builders attempt to track their actual labor costs by job. Many contractors base their billings on a fixed rate per hour worked by each classification of employee. This method has obvious shortcomings. A truly useful and efficient method computes the actual cost at the same time the payroll is prepared and checks are made up. All payroll (except overhead payroll like the office staff) should be assigned to one or more job categories. That way you immediately know your direct labor cost. Job categories should include not only those for large bid contracts, but for various one-time jobs, shop, maintenance, or idle time.

## **Bank Accounts**

---

Don't depend on your bank to keep your checkbook straightened out. Balance your bank account every month to be sure how much cash you really have. It's not hard to balance a bank account, although many builders think it is. The secret of breezing through a bank account is having a good money-handling method and understanding exactly how your method works.

Having your accountant balance your bank account is poor practice and an unnecessary expense. No one knows your checkbook as well as you do. After all, if you add up your own bank deposits, prepare your own checks and figure all the math, who's better suited to prove the balance? And if you make yourself responsible for this job, the side benefit is that you're likely to work more accurately. You won't have to find so many mistakes at the end of the month.

Some builders hardly ever balance their bank accounts. That's a dangerous omission. You may suddenly discover that you don't have nearly as much cash as your checkbook shows. Errors can accumulate over the months or years. By the time you discover the problem, it could be too late to correct it without embarrassment. There is no "good" time to be out of funds.

You might even discover that you have more than you thought in your bank account. While this might be a nice surprise, it's less likely, and can still have a negative effect on your business. You might miss an opportunity if you mistakenly think you don't have enough cash to finance it.

Don't assume that the bank statement's ending balance shows your true cash condition. The bank

statement doesn't reflect checks that haven't cleared. Unless you balance the account, you don't know the real balance.

It doesn't always occur to business owners to check the statement for bank errors. But everyone should do this. Banks, and their computers, are run by humans who can and do make mistakes. It's up to the business owner (and bank customer) to discover these errors. Do yourself a favor, and spend a little time to check their work. You may be lucky and never find a mistake. If that happens, stay with that bank. You might not know how lucky you really are!

You need a thorough, step-by-step procedure to follow. I'll outline a procedure in this guide. If you follow all the steps completely, the bank account will balance every time. The only way to learn is to do it yourself. Once you're used to it, the whole procedure will become quite routine.

## **Cash on Hand**

---

Most builders need a cash fund for the little expenses that come up from day to day: C.O.D. deliveries, postage due, coffee and donuts, a newspaper — expenses too small to write out a check for. But you may be amazed at how much cash you can spend in a month from a small office fund.

Setting up a controlled petty cash fund is the best way to control these disbursements. In a petty cash system, you "vouch" for all expenses by replacing cash removed with a slip of paper (a voucher) that explains the reason for the expense or lists an account number and gives the amount.

This fund should contain enough cash to suit your needs. If you run out often, the fund is too small. But keeping too much cash around the office isn't a good idea. So find the smallest amount of petty cash that's right for your business.

You should be able to add all the cash and the vouchers in the cash box at any time and arrive at the defined petty cash fund balance. You can expect occasional minor over and short problems, but a well-controlled fund will always be in balance. Document fully all of your expenses — even the petty ones — so you can take the full tax deduction you deserve.

## **Equipment Records**

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Few builders can operate without owning some machinery and equipment. Depending on your specialty, you may need everything from carpentry tools

to multi-axle trucks. The money you spend on tools and equipment is most likely your largest investment. Good equipment records supply information for financial statements, property taxes, capital gains and losses, motor vehicle reports, and depreciation. Your equipment records can also supply direct cost information, if the data is organized and available.

Your records should let you calculate the hourly cost of owning and operating your equipment. Each job can then be charged appropriately for its share of the equipment cost. This is essential for determining the profit or loss on each of your jobs.

Your equipment cost will also have an effect on how you plan for the future. Should you lease or buy heavy equipment? How much use will you get from a piece of equipment, and will that use justify the investment it will require? When you prepare bids on future contracts, you must know how much per hour to charge for operation of equipment and machinery for those projects.

## Overhead Expenses

The fixed, necessary expenses of being in business are often considered to be uncontrollable: rent, telephone and utilities, shop and office supplies, insurance. You should have some way to plan for these expenses because planning can help you control your overhead.

Control of your overhead is important when estimating future jobs and will often make the difference between profit and loss. Your record of past overhead expenses is the best indication of what you can expect in the future. A good budget for overhead expense will serve as an important guideline for month-to-month planning. Trying to stay within a realistic budget will almost always lower actual expenses and increase profits. Builders who don't budget their overhead expenses invariably spend more on overhead than those who examine and control them.

## Estimating Records

Job estimates are often prepared in a hurry and under pressure. But estimates require both attention to detail and accuracy. You have limited time to familiarize yourself with the proposal and come up with a profitable but competitive bid. The method you use to figure labor time, material cost, overhead, and profit must guarantee accuracy. Otherwise, your bid may be successful but you could lose money on the job.

Following a set procedure on every bid will save time and assure better accuracy. Use the same formula for every bid to make the entire estimate fall together smoothly. Document your costs so you have both historical data and current knowledge. This is the best way to assure yourself that the bid will yield a reasonable profit.

To have this confidence in your estimating, your books and records have to be organized to supply the kind of accurate information you need in a hurry. The best estimators use carefully prepared past cost records to back up their conclusions.

## Records by Job

If, like many contractors, you work on several jobs at one time, you can only know how you're doing if you keep cost records for each job. Your right to progress payments depends upon these records. Accuracy is required to support your charges.

Use by-the-job records to examine your cash flow and profits. Your method should be complete and consistent. Since you're the one person most in touch with your operation, you're best qualified to keep these kinds of records. And you're the person most likely to get useful information from them.

Compare the costs for each job against your estimate. Modify your planning and estimating expectations accordingly. Doing this will help you develop valuable historical information which you can use in the future.

You may find that your profits from one job are being eroded by two others, even though you thought you were doing well on all three contracts. A builder can't tell how he's doing on each of several jobs without good cost records for all of them.

## Accruals

Cash received and paid out in a business does not reflect the whole financial picture. Bills you've sent out are income, even before the cash comes in. And the bills you owe are direct costs or operating expenses, even before you mail the checks. These billed accounts are very real parts of your financial picture at any time. Your books and records are only summaries of cash which has changed hands. The true and complete picture of your operation has to include adjusting entries. These are called *accruals*.

It is generally a good idea to let your accountant handle these entries, as well as the actual general ledger recordings of all your financial activities. But

you should understand what is accrued, and why, so that you can set up records to help your accountant establish accurate accruals. He or she can't make the correct entries unless you maintain good records. Too often, accruals are only estimates. You'll be forced to understate your accruals if your records can't support the actual numbers.

You don't have to become a professional accountant to know how to break out the significant figures in your books. This book will help you increase the quality of all financial records your company maintains.

## The Chart of Accounts

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The chart of accounts is a numbered list of the accounts on your general ledger and operating statement. It tells at a glance the financial categories you maintain. Numbered accounts simplify your record keeping and provide a shorthand method to apply costs and income.

There is a common and fairly standard order for listing accounts within categories. While each business has its own unique needs, most use a few basic accounts. Construction contractors, more than most other businesses, have a large number of account categories that are unique to the industry. You should understand how the chart of accounts is organized. As you become more aware of the uses and potential for your own records, you might want to create additional categories to help you keep track of certain key expenses.

Within one set of books and within one company, it's possible to have integrated accounts for a variety of jobs kept under separate accounting methods. A good chart of accounts is descriptive enough to keep these figures separate from each other and yet supply important overall information necessary for reports.

## Ratios

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Financial and operating ratios are very useful to builders and contractors who understand their meaning. These ratios show the month-to-month trend of your business. These trends are useful and revealing financial statements themselves.

It's hard for you to learn everything you need to know about your business by looking at the monthly numbers. Ratios let you divorce yourself from dollars and cents and follow instead the trend of your business. Ratios help you find the good and the bad situations and show the relative health of your business. It

takes only minutes to figure your own financial and operating ratios but they can speak volumes about how you're doing each month.

## Financial Statements

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Most business owners don't know how to read financial statements. But nowhere is the skill of comprehending a statement so important as it is in construction. Builders who don't understand simple accounting practice and the usefulness of financial statements are ripe for failure in their business.

You must make effective use of your own internal reports and involve yourself directly in record keeping. And you've got to be able to understand your own financial statement. This includes knowing the statement categories — where the numbers come from, what the account titles mean, and what the classifications on the statement are. You have an accountant, so you don't have to master the mechanical skills of double-entry bookkeeping to gain this knowledge. You don't want to become an accountant, but you do want to be able to read the statement you're paying for.

Preparing financial statements is a routine chore when the books and records are complete and efficient. But a financial statement can be useful in many ways. For instance, a statement that compares this year's performance to last year's is valuable for finding out whether your management skills are producing profits and whether your financial health is improving or declining. Another type of statement shows your income, costs, expenses, and profits by comparing them to previous data using different accounting methods. You can prepare statements of income or loss by job so you can compare the value of different types of work and different size contracts.

Current statements are essential for performance bonds and loan applications. An impressively complete statement is more likely to result in a needed loan being granted, simply because more than enough information is available to answer any questions a banker might want to ask.

Small Business Administration (SBA) loans require extensive historical and financial information. Your past records must serve this purpose. Complete, accurate applications result in less processing delay.

## The System in Review

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Any good set of books will yield the financial statements and reports needed for insurance companies, governmental agencies, and bankers. There may

be special considerations in your business that dictate changes in the way you keep your books. By the time you finish this book you will learn many techniques that can improve the way you keep your business records. First, the way you keep records should be unique, designed just for you and your particular operation. Second, it should be as flexible as possible to allow for increases in volume and sudden changes in requirements. Third, there should be no room in your system for unneeded work.

You may come to a point where no manual system is good enough to take care of your payroll or your receivables. At that point, do you hire more bookkeepers and accountants? Do you struggle on with what you have, and hope for the best? Do you get in touch with a computer service? How do you decide? And whatever your decision is, can you justify the cost? This manual is intended to help you make decisions like this.

Just as some jobs could require over-investment in machinery or too large a labor force for you to manage, your bookkeeping system could be inappropriate for your individual needs.

Review your system periodically. How often depends on you. Your opinion of a review's importance will be reflected in the efficiency of your operation. Your own personality, then, is a major factor in any review.

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## ■ Using a Computer

Most businesses today, even the smallest ones, use a computer, but many of them use it only for word processing. That's a shame. There's comprehensive, affordable accounting software available for any size business. And these are easy to learn and easy to use. Having your entire accounting system on a computer makes sense from every angle—they simplify your record keeping and save you time you can better spend out on the job site.

It's no longer so much a decision about whether or not to automate, but rather a decision about which system you'll use. To keep up with current record-keeping requirements, and considering the variety of functions you need to perform, computerization is something you'll eventually end up doing. But if you pick a system that doesn't do the job you need, you'll just end up fighting it and manually filling in for its shortcomings. You need a system that integrates accounting with job cost analysis; tracks costs and reports by the job; and lets you upgrade as your business grows.

In the best possible system, the initial cost of hardware and software (plus the cost of training yourself and your employees) is going to be more than offset by the savings you create. Ideally, your computer system will be useful for functions beyond merely recording transactions. You might need a sophisticated inventory control capability or a mathematical system that helps you with calculations in your particular field. For example, a heating systems sub can make good use of a program that calculates exact sheet metal sizing based on measurements taken in the field, saving time and reducing expensive mistakes.

If you have no idea where to begin looking for the best computer system and software for your particular business, you might want to hire someone to help. Be sure your consultant is completely qualified in the field and familiar with construction needs before agreeing to put out big bucks to get an opinion. A valuable consultant will be someone who has worked with other contractors to locate and design the best possible systems. Check with other contractors whose opinion you trust. They might be able to recommend someone. Or, they might be willing to show you the system they use in their business. As a general rule, people who are happy with their computer system like to show it off. Like a shiny, powerful new car, a good computer system looks good and goes fast!

If your operation is so small that you can manage your accounting system without a computer and without taking up a lot of your time, then it makes sense to keep things the way they are. But it's going to become increasingly difficult in the future to avoid electronic record keeping and reporting. The trend is toward filing payroll and year-end tax reports by computer; working with others who have automation; and starting out in an automated environment rather than upgrading to one, as people did in the past. Computers are simply a part of everyday business life.

Smaller contractors who can't afford, or choose not to afford, an automated system have another alternative. You can hire an outside accounting firm to keep your books on an automated system. In other words, sub out the whole accounting routine. That way, you need only to supply the raw data to the accounting firm, and they'll do all the number crunching and reports for you. By working with an outside firm, you can also get job cost analysis and any other data you need.

Most small firms (with 20 or fewer employees), and many larger ones, find it practical to use an outside service for payroll. The complexities of calculating payroll deductions, cutting checks, and taking care of

federal and state reporting make an outside payroll service a good idea. Payroll is too complex to do yourself unless you have a big-enough operation to justify the cost. Even then, a cost comparison might show that an outside service can handle payroll (and perhaps some other accounting routines) more economically.

Pick an automated system by matching it to your needs and allowing room for growth. Appendix C has some suggestions that will help you to pick the best computer system for your business. You can also check online for good accounting software. Here are some websites you might want to visit:

<http://www.accountingshop.com> — This site lists several software programs, including prices, and has an online ordering service.

<http://val.looksmart.com/eus1/eus65300/eus65317/eus171762/eus77143/r?l&> — Go to this Web page and then search for “construction software” to see a listing of construction software programs.

<http://www.timberline.com/> — This Web site belongs to a well-established company specializing in construction systems. They offer a variety of specialized programs suitable for the needs of many construction companies.

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## Income Taxes

The federal and state tax systems certainly haven't made your job any easier. Keeping your books and records just to verify your transactions is only the starting point; the government constantly considers new tax reform legislation, so keeping up with your reporting demands is an ever-changing task.

It's not just the disruption to business and personal reporting that causes trouble. As tax laws and regulations change, your accounting requirements change, too. A slight modification in the rules could mean you need to revise the way you keep records. If you work on government projects, the reporting is further complicated because reporting goes far beyond just reporting your numbers. You might also need to summarize specifics of the work crew you hire, meaning you have to track many more types of information, and not just hourly rate, hours worked, deductions, and jobs worked.

The rules for different accounting methods can change, too. As Congress passes new laws and the IRS comes up with new regulations affecting the methods you use for the timing of income reporting,

your accounting system has to be modified to keep up. The rules and regulations concerning capital gains, depreciation, and the tax rates themselves have changed regularly over the years. Congress modifies tax rules, for both economic and political reasons, and business owners are forced to spend dollars to keep up. That's a form of expense that produces no tangible results, just a lot more paper.

These changes affect your ability to forecast effectively. A large part of your job is to calculate what steps you need to take today to ensure profits in the coming year. So you forecast income and budget your expenses, all the while trying to ensure that you'll have enough cash on hand to pay operating expenses as they arise. This is no easy task even in a stable tax environment. The problem intensifies when you add in the uncertainty of future tax rules and rates.

I'll suggest a solution: Keep efficient, complete records of all transactions and reduce exceptions to the rules. In other words, try to make your bookkeeping chore uniform so that it works well and takes up as little time as possible. At the same time, set aside time for yourself so that you can think about the coming 12 months and plan your income, costs and expenses as far in advance as possible. As a business owner, you already know that your planning time is a smart investment in your own future. Add to this schedule the valuable help of a reliable and professional tax expert who talks *to you* and not *at you*, and your plan will have all the basic building blocks to ensure profits and reduce surprises.

For your tax planning requirements, you might want to get a copy of *Contractor's Year-Round Tax Guide*. Use the order form bound into the back of this manual to order a copy. I wrote that book with a very specific purpose in mind — to help contractors think ahead in terms of tax liabilities, so they can plan their business affairs to reduce taxes as much as possible, and still play within the rules. That book won't tell you how to fill out your tax forms, however. You need a specialist for that. Besides, by the time you read this, they'll surely have changed. But it will help you to think in terms of taxes and your business, and show you how to plan accordingly.

There's no way that you can keep up with all the changes in the tax rules. Tax laws are rewritten virtually every year, and the “simplification” ideas that Congress comes up with almost always make the whole process more complicated than before. Remember, “simplification” is one of those Washington terms that mean exactly the opposite! So you definitely need professional tax advice just to keep

up and to make sure you're complying with the current rules. It's the tax professional's job to track all of those changes and then tell you what you need to do.

You can get a complete list of downloadable IRS forms and publications at the government Web site:

[http://www.irs.ustreas.gov/prod/forms\\_pubs/forms.html](http://www.irs.ustreas.gov/prod/forms_pubs/forms.html)

## Forms

Rather than constantly recopying or redesigning the forms you use for working up information or preparing your reports, you need a set of good, usable and practical forms. They will almost certainly be developed by trial and error over a period of time. Throughout this book you'll find examples of accounting forms, some blank, some filled out. These are forms the author uses in his business and the construction companies he consults for — forms he's developed and improved until they're exactly what worked for him. Feel free to copy any of them, change them to fit the needs of your company and your way of doing business, add your own letterhead, and make them yours.

Most businesses now have a set of forms loaded into their computers, to fill out and print as needed. Many builders now simply provide online forms to their customers and suppliers. You can type any of the forms in the book into your computer, or check the order form in the back to find a description of *Construction Forms & Contracts*. It has 125 forms for construction contractors, including two dozen accounting forms. You can copy and use the forms from the book, or load them on your computer from the enclosed disk and customize them to meet your needs.

Only you can decide what kind of records you want to have in your construction business. But keep in mind that your accounting professionals depend on your books and records for just about everything they do for you. Sales, property, payroll, and income tax returns, financial statements, and reports are all based on the information you provide. A complete system will furnish the information your accountant needs, when it's needed. Advice is your accountant's most valuable service. That advice can only be based on your books and records. Make sure those records accurately reflect your business activities.

## Double-Entry Bookkeeping

The most common modern bookkeeping method is called double-entry bookkeeping. I doubt that any alternative method can be found to provide the same

degree of bookkeeping control yet remain as simple to use. Training and experience are required to fully master double-entry bookkeeping, and you shouldn't expect to become sidetracked into a bookkeeping career just to manage your operation's affairs. But it's always smart and good business practice to know every aspect of your operation, especially the books, records, and management systems. The following overview of the double-entry method should help you better understand the rest of this book and give you enough bookkeeping knowledge to let you maintain and understand your own books and records.

Double-entry bookkeeping is so called because every transaction requires two entries — one debit and one credit. Two entries provide an important control throughout the bookkeeping documents that isn't available with any other system. A debit is an entry made to the left side of an account, and a credit is an entry made to the right side. The total of all the debits always equals the total of all the credits. The total of all accounts will be zero if the general ledger is accurate. In other words, the debit balances (pluses) and the credit balances (minuses) of all account transactions will cancel each other out when the accounts are added up.

Some accounts normally have debit balances, and some normally have credit balances. A complete summary of typical accounts and their balance types is listed below.

<b>Assets:</b>	<b>Debit</b>	<b>Credit</b>
Cash	xxx	
Accounts Receivable	xxx	
Bad Debt Reserve		xxx
Fixed Assets	xxx	
Depreciation Reserve		xxx
<b>Liabilities</b>		
Accounts Payable		xxx
Taxes Payable		xxx
Notes Payable		xxx
<b>Net Worth</b>		
Capital Stock		xxx
Retained Earnings		xxx
<b>Sales</b>		
Income Accounts		xxx
<b>Cost of Goods Sold</b>		
Materials	xxx	
Labor	xxx	
<b>Expenses</b>		
Operating Expense Accts	xxx	

Journal entries are created to change the balances in various accounts. A good example of a journal entry is shown below. Here, a builder wants to show the effect of bank charges on his bank account. He must reduce his cash account by the amount of the monthly charge. He must also increase his expense account for bank charges.

	Debit	Credit
Bank charge expense	\$4.82	
Cash in bank		\$4.82

The debit increases an expense account (expense accounts are usually debit-balance accounts) and decrease the balance of cash (also a debit-balance account).

### The General Ledger

All entries to the general ledger — the record that summarizes all business operations — are made from journal-type entries consisting of equal debits and credits. These entries are readily apparent in a general journal. But entries from a *cash receipts journal* require a different format. One column represents the total of cash received. This becomes a debit (increase) to the cash account. Other columns, dividing the total into appropriate categories, are for credits to income,

accounts receivable, and sales tax accounts. Debits and credits will always balance to zero.

A *cash disbursements journal* (cash paid out) has several columns, as well. One column represents the total decrease to cash. This total decrease is entered on the cash account as a credit. Distribute the total decreases to various cost and expense accounts as debits. Again, the total of all debits and credits in the cash disbursement journal will be zero.

Figure 1-1 shows the traditional ledger page. Debits are posted on the left side and credits on the right. The balance in an account — the net remaining amount when credits are subtracted from debits — is written under the last amount posted on one side or other of the account. Which side this is depends upon which side has the higher total amount. If the debits are greater than the credits, record the net total on the debit (left) side. If credits are greater, record the net balance on the credit (right side). Recording on the right side would result in a *credit balance*, or negative account total. Income accounts, liabilities, and net worth accounts usually contain net credit balances.

Figure 1-2 shows the result of posting to a single general ledger account from several sources. The T-account — so named because of the letter “T” created by the lines — is used here to demonstrate this. The T-account is simply a way of separating debits and

ACCOUNT _____			
DATE	DEBIT	DATE	CREDIT
	✓		✓

Figure 1-1  
*Ledger sheet*



<b>Cash In Bank</b>		
	<b>Debit</b>	<b>Credit</b>
Balance Forward	\$1,486.80	
Cash Receipts	22,401.60	
Cash Disbursements		\$ 21,844.62
General Journal		4.82
<b>Balance Forward</b>	<b>\$2,038.96</b>	

**Figure 1-2**  
*T-account*

credits on a worksheet. You can use it to estimate the results of business before financial statements have been prepared. In the figure, the Cash in Bank account has received three entries. The debit (increase) came from the cash receipts journal and reflects all cash collected in one month. The decreases come from the cash disbursement journal (showing the total of checks issued in one month) and the general journal (where bank service charges were recorded).

Several of the controls found in double-entry bookkeeping can be explained using the T-account summary as an example. First, the beginning balance and the ending balance of a cash account let you know how much is in the bank. These balances should agree with reconciled totals from the monthly statement the bank sends. Any errors or omissions by either the bank or your bookkeeper become apparent when the reconciled balance is compared to the general ledger account balance.

The general ledger will be *out of balance* if there's a posting error in it or if the math has not been carried through correctly. In other words, the grand total of all debits less all credits will not be zero. When this is the case, it means there's an error, and you must correct the error before you can prepare the financial statements. No confidence can be placed in a general ledger that is out of balance. You or the bookkeeper can be certain that all posting has been done correctly only when the general ledger credits and debits have been added to get zero.

Of course, since entries may be posted to the wrong accounts, diligence is still required in the posting process. No method can ever eliminate human

error, but double-entry bookkeeping does provide the best controls against math errors. Throughout this book, many additional controls will be discussed in relation to the many aspects of double-entry accounting and bookkeeping procedures.

The general ledger should not be burdened with large numbers of detail accounts, analysis and budgetary controls, or excessive detail of any kind. Keep secondary or subsidiary ledgers and accounts apart from the general ledger for these control details.

## The Financial Statements

Financial statements are reports which express information summarized from the general ledger. Their format is designed to pass on information rather than to control a large number of detailed transactions. Financial statements reveal the status, progress, and control you have exercised, and the degree of business that has been generated as a result. These statements are only as accurate, informative, and concise as the general ledger they're based on.

The *balance sheet* is one of three main financial statements. It's a listing of properties (assets), debts (liabilities), and ownership value (net worth). The term balance sheet refers to:

- 1) The listing of account balances (or net totals when credits are subtracted from debits), and
- 2) Proof that all debits listed on the balance sheet are equal to all credits. The basic formula which defines the balance sheet is:

$$\text{Assets} = \text{Liabilities} + \text{Net worth}$$

There are two parts to the balance sheet:

- 1) Listing of all assets and a total of those accounts, and
- 2) A listing of liabilities and net worth and a total of those accounts.

Both totals (assets and liabilities/net worth) will be the same number. Therefore, the two sides will balance.

The *income statement* (also called statement of profit and loss or the summary of operation) lists income, direct costs, operating expenses, and profits. While the balance sheet lists the balances in asset, liability, and net worth accounts as of a specific date, the income statement reports the results of operations within a defined period (such as one month, one quarter, or one year).

The *statement of cash flows* (or statement of provisions and uses of funds) summarizes the management of cash during a specified period. It shows how the net profits of a business have been used — payment of liabilities, buying new assets, or distribution to owners — in the course of business. It also shows the source of funds. Funds may come from operations (profits), from the sale of assets, or from outside loans. Owner may contribute additional capital, resulting in an increase of funds. The statement of cash flows is useful in judging the degree of management control you exercise over your funds.

The double-entry system forces the user to perfect his entries before issuing accurate statements. If the general ledger is out of balance, the interrelationship of the three statements will be off. These relationships are summarized below.

- 1) Assets must equal the total of liabilities and net worth shown on the balance sheet.
- 2) The net income or loss must equal the increase or decrease to retained earnings shown as part of the net worth on the balance sheet.
- 3) The increase or decrease in funds shown on the statement of cash flows must equal the change in current asset and liability accounts. Current assets less current liabilities at the end of the period, *less* current assets less current liabilities at the beginning of the period, must equal the increase or decrease in funds.

The balance sheet reflects the value of a business in terms of properties and debts. All properties owned by the builder are subject to debts related to them. At the same time, part of those assets are truly owned. If debts, or liabilities, represent 60 percent of assets, and net worth 40 percent, that's a different picture than if liabilities represent 95 percent of assets, and owner equity only 5 percent.

This comparison of net worth to liabilities is called a *ratio*. Ratios are explained in more detail in Chapter 23. The financial statements provide information for several useful ratios needed by bankers considering loan applications and by the builder in assessing his own financial condition. Accurate financial statements and the ratios drawn from them help control costs and expenses, inventory levels, cash flow and accounts receivable.

The income statement shows total sales, direct costs, operating expenses, and profits within a period. Prepare this statement on a comparison basis to get the most value from it. Last year's income compared to this year's will reveal the good and bad trends in

the business and the increase or decrease in volume, expenses, and profits.

The statement of cash flows, which is often wrongly excluded from the set of financial statements, is in many ways the most valuable report you can have. Control of cash in the construction business is crucial to success. Many builders have problems in this area, and poorly designed cash procedures or lack of cash flow planning altogether can cripple an operation.

To build an accounting system that provides accurate financial statements, you need both documents and procedures that run smoothly. Otherwise, the office bogs down in its own paperwork, and nothing is completed in time to be of use. And the accuracy and availability of information suffers in a poorly-designed accounting system.

Figure 1-3 summarizes the relationship between the various reports, controls, and documents contained in an accounting system. Understanding this relationship helps a builder appreciate the value of his double-entry system, and the management benefits derived from a well-organized and thought-out operating plan.

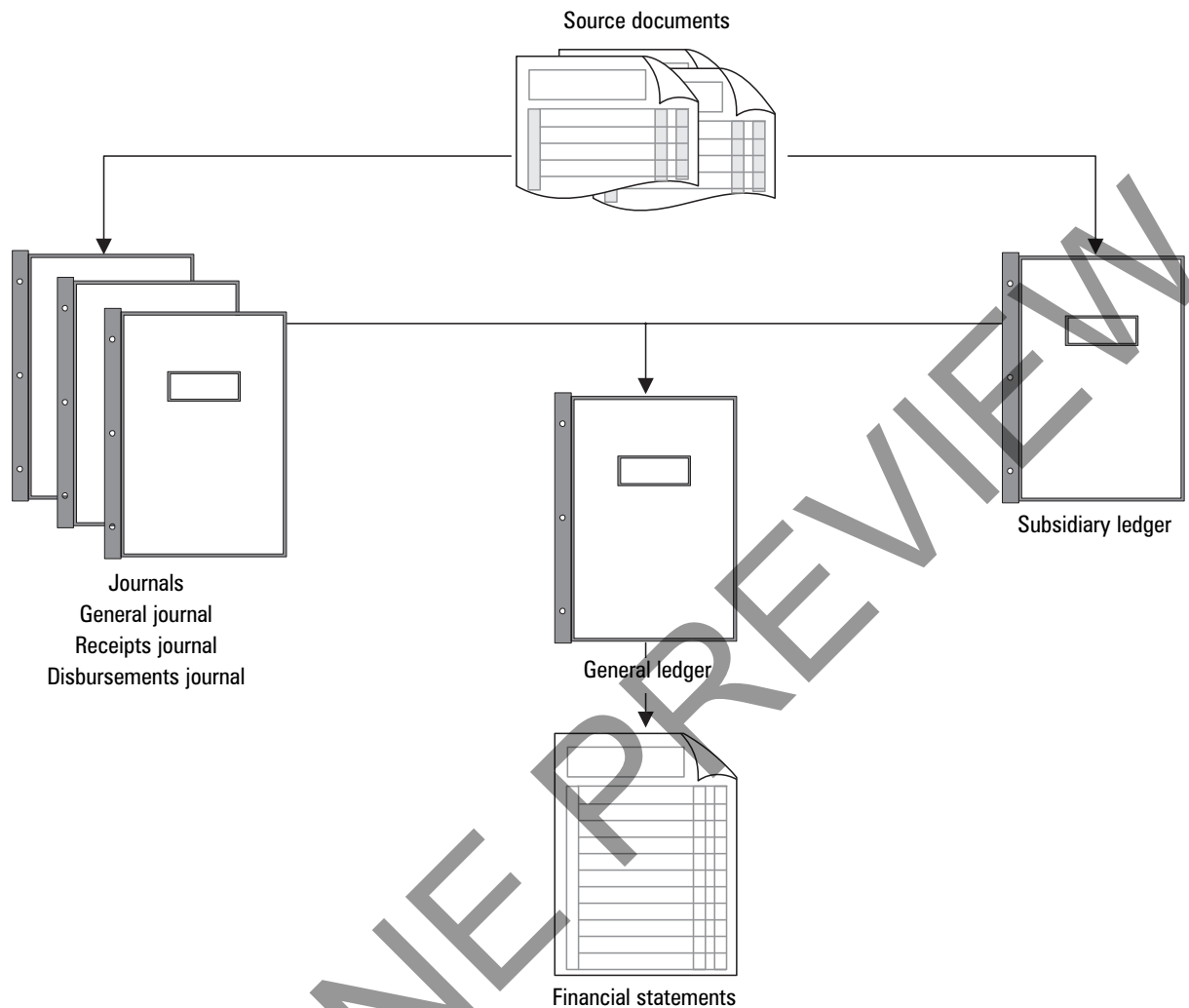
Source documents — invoices, purchase orders, and receipts — must be handled efficiently to support the accounting journals and ledgers. Filing systems and methods for labeling and identifying source documents must be practical and time-saving.

The general journal must be controllable and concise. The cash receipts and cash disbursements journals that support it verify the math, report information legibly, and provide the detail needed for analysis of accounts.

Many secondary systems are required to control the general ledger accounts. Among these is a subsidiary control for accounts receivable. Most builders transact a large volume of business on credit. You must be able to render accurate statements to customers, control the level of receivables and bad debts, and set up reserves for future losses.

The general ledger is a summary document containing the least amount of information needed to produce maximum insight from financial statements.

At first glance, the double-entry system seems complex. But if you relate to the results rather than the mechanical processes, it gets clearer. However, you need to control those processes in order to produce concise reports. Without controls, no system of keeping books will yield a dependable, accurate, and

**Figure 1-3***The accounting system*

profitable financial statement. And you can't make profitable decisions based on misleading information.

The terminology of accounting can be confusing and misleading. Unfortunately, accountants and others who work in the field must, from necessity, communicate in the common language of accounting. Don't let this alienate you and keep you from fully understanding the meaning of your own books and records.

This book has been designed to introduce concepts that are useful in a practical way. Whenever possible, we've avoided specialized terminology that could confuse and mislead the reader. You're interested in understanding accounting from a builder's point of view, not from an accountant's. This text is not intended to train you to become a full-charge bookkeeper, but rather a well-rounded builder whose success is enhanced by his accounting system.

# Test Questions:

---

**1. You are required to keep records:**

- A. Because it is required by law.
- B. For tax return preparation and planning.
- C. To keep track of where you're spending money.
- D. All of the above.

**2. The check register is:**

- A. A record of things you need to check.
- B. A listing of the checks you have written.
- C. A listing of checks returned by the bank.
- D. The bank's encoded number on each check.

**3. Balancing your bank account involves:**

- A. Visiting or calling the bank to get the balance.
- B. Avoiding writing any checks near the end of the month.
- C. Accounting for all timing differences and double-checking your math.
- D. Simply changing your balance to match the bank's balance.

**4. Overhead expenses are:**

- A. All expenses that can't be assigned to any one, specific job.
- B. Expenses involved with all work above the first floor of a project.
- C. Expenses that exceed budget.
- D. Expenses involved directly with a job, such as materials and labor.

**5. Accruals in your books are:**

- A. The sum of all unpaid liabilities.
- B. The sum of all assets you own.
- C. Expenses you owe but have not yet paid, or income you have earned but have not yet received.
- D. Entries made to make your books look better than they would otherwise.

**6. Ratios are useful to:**

- A. Summarize the results in a way that is less confusing or misleading than dollars and cents.
- B. Follow a trend in related outcomes.
- C. Control expenses from month to month.
- D. All of the above.

**7. The chart of accounts is:**

- A. A summary of all the people who owe you money.
- B. An orderly listing of inventory suppliers from whom you can buy goods on account.
- C. A device used by accountants to keep confidential information from those who don't have a need to know.
- D. A numerical listing of the accounts in your general ledger.

**8. Double-entry bookkeeping:**

- A. Is illegal, as you should keep only one, true set of books.
- B. A method used by embezzlers to skim money from their companies.
- C. Twice the work needed by a single-entry system.
- D. None of the above.

**9. The correct formula for the balance sheet is:**

- A.  $\text{Assets} = \text{Liabilities} - \text{Net Worth}$
- B.  $\text{Assets} = \text{Liabilities} + \text{Net Worth}$
- C.  $\text{Assets} + \text{Liabilities} = \text{Net Worth}$
- D.  $\text{Assets} + \text{Net Worth} = \text{Liabilities}$

**10. The general ledger:**

- A. Is a place for recording all entries that don't fit into the specific ledgers.
- B. Is used only for recording income.
- C. Is a summary of all transactions.
- D. None of the above.

---

**11. Business equity is shown on the financial statement called the:**

- A. Summary of Operations.
- B. Balance Sheet.
- C. Statement of Cash Flows.
- D. Income Statement.

---

**12. Another name for the Income Statement is:**

- A. Profit and Loss Statement.
- B. Balance Sheet.
- C. Statement of Cash Flows.
- D. None of the above.

---

**13. The petty cash system documents cash expenses using a:**

- A. Requisition form.
- B. Job cost receipt.
- C. Voucher.
- D. Deposit slip.

---

**14. Under the rules for double-entry bookkeeping, assets are normally:**

- A. Debits.
- B. Credits.
- C. Not reported in the books.
- D. Accruals only.

---

**15. Overhead expenses describe those expenses that are:**

- A. Over and above your annual budget.
- B. The fixed and necessary expenses of being in business.
- C. The same as direct costs relating to specific jobs.
- D. Costs that you can't control.

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## Accounting Methods

The way you treat sales (and recognize the income they generate) is the foundation of any accounting system you adopt. The decision about when to book income creates problems both for the builder and the accountant. After all, your contracts take anywhere from one day to several months — or even years — to complete. Solving this key problem requires that you define what you mean by income. Just exactly how much did you earn last month? There's no correct answer until you specify the accounting method you used. There are two accepted ways to record income: the *percentage-of-completion* method and the *completed-contract* method.

### Percentage-of-Completion Method

For most businesses, recording income is a simple matter. Income is generally recognized when work is performed, and recorded when statements are mailed. In other cases, income is recorded when payments are received.

But contractors sometimes receive payments for work not yet performed, or only partially completed. The portion of income above the degree of completion is said to be *unearned* in the accounting sense. It is not earned and should not be recorded as income until the work is finished.

When you receive cash for work that's only partially complete, you have to separate out the unearned part of income and assign it to a special account. That sum will only be recognized as income later, after it is earned. Then you remove it from the special account.

This is known as *percentage-of-completion* accounting because you recognize as income only that portion of money received or charges billed for work that's completed. For example, suppose you receive a \$6,000 payment, or half the total contract price. You know that the job is only 40 percent complete. The entry would be broken down as follows:

Total payment (50% of contract amount)	\$6,000
Percentage of completion ( $\$12,000 \times 40\%$ ), earned income	<u>4,800</u>
Balance, unearned income	<u>\$1,200</u>

Accountants handle situations like this by “deferring” the unearned income. Since this treatment is always based on your estimate of the degree of a job’s completion, you need adequate records and a consistent method for determining the status of work in progress.

The differences between *billed* or *paid* and true income can work the opposite way as well. This is a more common situation. For example, you estimate a job to be 40 percent complete. You’ve billed out or been paid less than 40 percent. The difference has to be taken into account or *accrued*. This way you recognize income before you receive payment, or even send out a bill. It is money that truly has been earned. Suppose a contract is for \$12,000 and is 40 percent complete. The following shows an accrual of earned income:

Total contract of \$12,000	
– 40% complete, earned income	\$4,800
Amount paid to date	4,320
Accrued income	<u>\$ 480</u>

While your accountant should make these adjustments when preparing a financial statement, he or she will depend entirely on your books and records. To do a complete job, your records must show complete data. Remember also to document the procedures you use to arrive at your estimate of the degree of completion. Naturally, you have to record both sales and accounts receivable as well as progress on partially-completed jobs.

Most contractors and builders use the percentage-of-completion method for recording income. It’s the only acceptable method for builders who have fairly large jobs in progress at the end of any tax period. You can base your financial statements on any consistent accounting method. But include a note on the statement if the reporting method differs from that used for income tax purposes.

Under percentage-of-completion accounting, your books reflect the effect of receiving payment either before or after it’s earned. Sometimes you’re paid in advance. Your contract may specify that you’re allowed an advance to fund expenses required in the early stages of the project. It’s much more common for your customers to withhold part of each progress billing as *retainage*. Retainages serve two purposes. First, they serve to guarantee against unforeseen problems with final completion of a project. Second, they’re an incentive for timely completion. Retainages are normally paid upon approved completion and acceptance.

In all cases of payment above or below the estimated percentage of completion, you accrue the deficit and defer the excess income.

The advantage of the percentage-of-completion method is that income and its related costs, expenses, and profits are recognized and reported as the job progresses. The term *recognized* refers to the accounting treatment of an amount. It’s another way of saying that the amount is acknowledged as being earned in the current period even though money is neither billed nor received.

Under the percentage-of-completion method, your financial statements give a fairly accurate picture of your financial position, including expected profits and losses. Since many jobs take several months to complete, this kind of financial statement is more meaningful.

The disadvantage of the percentage-of-completion method of accounting is that all income, costs, expenses, and profits are only estimates until the job is complete. When you say that a job is 40 percent complete, that’s an estimate based on your judgment. It isn’t an exact degree of completion. But if you have current information and use a good estimating system consistently, your estimates of completion are probably pretty accurate.

You’ll eventually record all income and costs under any accounting method. Percentage-of-completion accounting simply gives you a more accurate picture of what is happening while you still have time to make corrections.

The estimates you use to determine the degree of completion must be based on reliable and current information. Your construction cost estimate will be a good guide to the value of work completed. If you’ve revised your cost estimate, consider this in your completion estimate. The most reliable indicator of the degree of completion is your total of project-to-date costs and your *current estimate* of the cost of the work yet to be done. If you use your original estimate to compute the degree of completion, the accuracy of your completion estimate would vary as your actual total costs have varied. If you now estimate that a job will cost \$575,000, don’t use the original estimated cost of \$500,000 in computing the percentage of completion.

Find the current percentage of completion by adding the *total costs to date* to the *estimated costs to complete* and divide that total into the *costs to date*:

$$\text{Costs to date} \div (\text{Costs to date} + \text{estimated remaining costs of completion}) = \text{Percentage of completion}$$



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## ■ Completed-Contract Method

Recognizing income by the completed-contract accounting method has the advantage of exactness. There is no need to estimate the degree of completion because all income is recognized only when the job is 100 percent finished. This method is almost always used for small jobs — one-time work, material sales, isolated minor contracts, and any other job of short duration. Payment for such work is usually in one installment. There is no need to estimate the degree of completion because you are paid or send a bill for the work at about the same time you know exactly what the total cost was.

You can use completed-contract accounting only when you'll complete a job within two years from contract date, and only if your annual gross receipts are under \$10 million.

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## ■ Percentage-of-Completion / Capitalized Cost Method

The Tax Reform Act of 1986 created a new form of accounting called the *percentage-of-completion / capitalized cost method*. Under this rule, you are allowed to use completed-contract accounting for only 60 percent of the total income and expenses of a job. The balance must be reported under the straight percentage-of-completion method.

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## ■ Which Method Should You Use?

Tax reform has complicated the decision of whether to use one accounting method or the other. You're required to choose one method and stick with it unless you apply to the IRS for permission to make a change. But the new rules restrict your freedom to choose a more advantageous method in many circumstances.

You'll have to base the selection of one method over another on the restrictions of current tax law. Within that framework, seek professional tax advice in the selection of the best method — and the one that you can best manage. It should always be your goal to keep it as simple as possible. But given the complexities of the tax laws, that won't always be easy.

Assume that you have several large, ongoing contracts and you're reporting income and profits under the percentage-of-completion method. Quite likely the jobs vary widely in profitability. After all, each job is unique. This might be a good description of just about any builder's current situation. A builder using the percentage-of-completion method will usually find that changes in profit on any single job are absorbed over several monthly accounting periods. By using this method, there is less chance that a single accounting statement will reflect all of a major change in profitability.

Now, assuming the same circumstances, what would the result be using the completed-contract method? The year of completion on the larger contracts will show a major change in volume. This makes monthly or even annual comparisons useless and distorts the true financial picture of the business.

Suppose you bid on a contract which you estimate will yield \$150,000 net profit after three years of work. Under the completed-contract method, you recognize all income, costs, expenses and profits upon completion of the job. During the life of that contract, you won't recognize any of the work done or payments received. Your financial statements will be prepared as though that income didn't exist. All the income and costs will be held in reserve accounts set up to delay recognition of income.

There are three major disadvantages of the completed-contract method. First and most obvious, there's the problem of not recognizing some very real progressive profits over the three-year life of the job. Second, it doesn't let you produce periodic financial statements that reflect your company's true status. And third, it doesn't provide you with reliable data that you could use to improve profitability during the life of a large contract. Cash control, budgeting expenses, inventory handling, and profitability problems must be spotted early to make prompt corrective action possible. Completed-contract accounting only gives you final results. If you want to do careful analysis under this method, you must create the data yourself; the current financial statement won't help.

We can illustrate the weakness of the completed-contract method by looking at a builder with three large contracts. We'll assume that the degree of completion on each of these jobs will be fairly even throughout the life of each contract. All three contracts began at the same time and should last for 36 months. Assume that the total expected profit for all three contracts is \$450,000.

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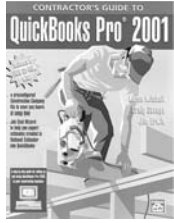
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# Practical References for Builders

## Contractor's Guide to QuickBooks Pro 2001



This user-friendly manual walks you through QuickBooks Pro's detailed setup procedure and explains step-by-step how to create a first-rate accounting system. You'll learn in days, rather than weeks, how to use QuickBooks Pro to get your contracting business organized, with simple, fast accounting procedures. On the CD included with the book you'll find a QuickBooks Pro file preconfigured for a construction company (you drag it over onto your computer and plug in your own company's data). You'll also get a complete estimating program, including a database, and a job costing program that lets you export your estimates to QuickBooks Pro. It even includes many useful construction forms to use in your business. **328 pages, 8 1/2 x 11, \$45.25**

## Basic Concrete Engineering for Builders

Basic concrete design principles in terms readily understood by anyone who has poured and finished site-cast structural concrete. Shows how structural engineers design concrete for buildings — foundations, slabs, columns, walls, girders, and more. Tells you what you need to know about admixtures, reinforcing, and methods of strengthening concrete, plus tips on field mixing, transit mix, pumping, and curing. Explains how to design forms for maximum strength and to prevent blow-outs, form and size slabs, beams, columns and girders, calculate the right size and reinforcing for foundations, figure loads and carrying capacities, design concrete walls, and more. Includes a CD-ROM with a limited version of an engineering software program to help you calculate beam, slab and column size and reinforcement. **256 pages, 8 1/2 x 11, \$39.50**

## Blueprint Reading for the Building Trades

How to read and understand construction documents, blueprints, and schedules. Includes layouts of structural, mechanical, HVAC and electrical drawings. Shows how to interpret sectional views, follow diagrams and schematics, and covers common problems with construction specifications. **192 pages, 5 1/2 x 8 1/2, \$14.75**

## CD Estimator

If your computer has Windows™ and a CD-ROM drive, *CD Estimator* puts at your fingertips 85,000 construction costs for new construction, remodeling, renovation & insurance repair, electrical, plumbing, HVAC and painting. You'll also have the *National Estimator* program — a stand-alone estimating program for Windows™ that *Remodeling* magazine called a "computer wiz." Quarterly cost updates are available at no charge on the Internet. To help you create professional-looking estimates, the disk includes over 40 construction estimating and bidding forms in a format that's perfect for nearly any word processing or spreadsheet program for Windows™. And to top it off, a 70-minute interactive video teaches you how to use this CD-ROM to estimate construction costs. **CD Estimator is \$68.50**

## Construction Forms & Contracts

125 forms you can copy and use — or load into your computer (from the FREE disk enclosed). Then you can customize the forms to fit your company, fill them out, and print. Loads into *Word* for Windows™, *Lotus 1-2-3*, *WordPerfect*, *Works*, or *Excel* programs. You'll find forms covering accounting, estimating, fieldwork, contracts, and general office. Each form comes with complete instructions on when to use it and how to fill it out. These forms were designed, tested and used by contractors, and will help keep your business organized, profitable and out of legal, accounting and collection troubles. Includes a CD-ROM for Windows™ and Mac. **400 pages, 8 1/2 x 11, \$41.75**

## How to Succeed With Your Own Construction Business

Everything you need to start your own construction business: setting up the paperwork, finding the work, advertising, using contracts, dealing with lenders, estimating, scheduling, finding and keeping good employees, keeping the books, and coping with success. If you're considering starting your own construction business, all the knowledge, tips, and blank forms you need are here. **336 pages, 8 1/2 x 11, \$28.50**

## Contracting in All 50 States

Every state has its own licensing requirements that you must meet to do business there. These are usually written exams, financial requirements, and letters of reference. This book shows how to get a building, mechanical or specialty contractor's license, qualify for DOT work, and register as an out-of-state corporation, for every state in the U.S. It lists addresses, phone numbers, application fees, requirements, where an exam is required, what's covered on the exam and how much weight each area of construction is given on the exam. You'll find just about everything you need to know in order to apply for your out-of-state license. **416 pages, 8 1/2 x 11, \$36.00**

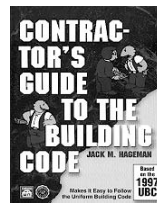
## Basic Plumbing with Illustrations, Revised

This completely-revised edition brings this comprehensive manual fully up-to-date with all the latest plumbing codes. It is the journeyman's and apprentice's guide to installing plumbing, piping, and fixtures in residential and light commercial buildings: how to select the right materials, lay out the job and do professional-quality plumbing work, use essential tools and materials, make repairs, maintain plumbing systems, install fixtures, and add to existing systems. Includes extensive study questions at the end of each chapter, and a section with all the correct answers. **384 pages, 8 1/2 x 11, \$33.00**

## National Painting Cost Estimator

A complete guide to estimating painting costs for just about any type of residential, commercial, or industrial painting, whether by brush, spray, or roller. Shows typical costs and bid prices for fast, medium, and slow work, including material costs per gallon; square feet covered per gallon; square feet covered per manhour; labor, material, overhead, and taxes per 100 square feet; and how much to add for profit. Includes a CD-ROM with an electronic version of the book with *National Estimator*, a stand-alone Windows™ estimating program, plus an interactive multimedia video that shows how to use the disk to compile construction cost estimates. **440 pages, 8 1/2 x 11, \$48.00. Revised annually**

## Contractor's Guide to the Building Code Revised



This new edition was written in collaboration with the International Conference of Building Officials, writers of the code. It explains in plain English exactly what the latest edition of the *Uniform Building Code* requires. Based on the 1997 code, it explains the changes and what they mean for the builder. Also covers the *Uniform Mechanical Code* and the *Uniform Plumbing Code*. Shows how to design and construct residential and light commercial buildings that'll pass inspection the first time. Suggests how to work with an inspector to minimize construction costs, what common building shortcuts are likely to be cited, and where exceptions may be granted. **320 pages, 8 1/2 x 11, \$39.00**

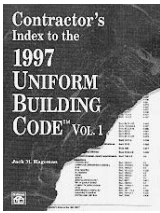
## Moving to Commercial Construction

In commercial work, a single job can keep you and your crews busy for a year or more. The profit percentages are higher, but so is the risk involved. This book takes you step-by-step through the process of setting up a successful commercial business; finding work, estimating and bidding, value engineering, getting through the submittal and shop drawing process, keeping a stable work force, controlling costs, and promoting your business. Explains the design/build and partnering business concepts and their advantage over the competitive bid process. Includes sample letters, contracts, checklists and forms that you can use in your business, plus a CD-ROM with blank copies in several word-processing formats for both Mac and PC computers. **256 pages, 8 1/2 x 11, \$42.00**

## Plumbing & HVAC Manhour Estimates

Hundreds of tested and proven manhours for installing just about any plumbing and HVAC component you're likely to use in residential, commercial, and industrial work. You'll find manhours for installing piping systems, specialties, fixtures and accessories, ducting systems, and HVAC equipment. If you estimate the price of plumbing, you shouldn't be without the reliable, proven manhours in this unique book. **224 pages, 5 1/2 x 8 1/2, \$28.25**

### Contractor's Index to the 1997 Uniform Building Code



Finally, there's a common-sense index that helps you quickly and easily find the section you're looking for in the *UBC*. It lists topics under the names builders actually use in construction. Best of all, it gives the full section number and the actual page in the *UBC* where you'll find it. If you need to know the requirements for windows in exit access corridor walls, just look under *Windows*<sup>TM</sup>. You'll find the requirements you need are in Section 1004.3.4.3.2.2 in the *UBC* — on page 115.

This practical index was written by a former builder and building inspector who knows the *UBC* from both perspectives. If you hate to spend valuable time hunting through pages of fine print for the information you need, this is the book for you.

**192 pages, 8 1/2 x 11, paperback edition, \$26.00**

**192 pages, 8 1/2 x 11, loose-leaf edition, \$29.00**

### Contractor's Growth & Profit Guide

Step-by-step instructions for planning growth and prosperity in a construction contracting or subcontracting company. Explains how to prepare a business plan: select reasonable goals, draft a market expansion plan, make income forecasts and expense budgets, and project cash flow. You'll learn everything that most lenders and investors require, as well as the best way to organize your business. **336 pages, 5 1/2 x 8 1/2, \$19.00**

### Concrete & Formwork

This practical manual has all the information you need to select and pour the right mix for the job, lay out the structure, choose the right form materials, design and build the forms, and finish and cure the concrete. Nearly 100 pages of step-by-step instructions show how to construct and erect most types of site-fabricated wood forms used in residential construction. **176 pages, 8 1/2 x 11, \$17.75**

### Troubleshooting Guide to Residential Construction

How to solve practically every construction problem — before it happens to you! With this book you'll learn from the mistakes other builders made as they faced 63 typical residential construction problems. Filled with clear photos and drawings that explain how to enhance your reputation as well as your bottom line by avoiding problems that plague most builders. Shows how to avoid, or fix, problems ranging from defective slabs, walls and ceilings, through roofing, plumbing & HVAC, to paint. **304 pages, 8 1/2 x 11, \$32.50**

### Basic Engineering for Builders

If you've ever been stumped by an engineering problem on the job, yet wanted to avoid the expense of hiring a qualified engineer, you should have this book. Here you'll find engineering principles explained in non-technical language and practical methods for applying them on the job. With the help of this book you'll be able to understand engineering functions in the plans and how to meet the requirements, how to get permits issued without the help of an engineer, and anticipate requirements for concrete, steel, wood and masonry. See why you sometimes have to hire an engineer and what you can undertake yourself: surveying, concrete, lumber loads and stresses, steel, masonry, plumbing, and HVAC systems. This book is designed to help the builder save money by understanding engineering principles that you can incorporate into the jobs you bid. **400 pages, 8 1/2 x 11, \$36.50**



### Basic Lumber Engineering for Builders

Beam and lumber requirements for many jobs aren't always clear, especially with changing building codes and lumber products. Most of the time you rely on your own "rules of thumb" when figuring spans or lumber engineering. This book can help you fill the gap between what you can find in the building code span tables and what you need to pay a certified engineer to do. With its large, clear illustrations and examples, this book shows you how to figure stresses for pre-engineered wood or wood structural members, how to calculate loads, and how to design your own girders, joists and beams. Included FREE with the book — an easy-to-use limited version of NorthBridge Software's *Wood Beam Sizing* program. **272 pages, 8 1/2 x 11, \$38.00**

### National Renovation & Insurance Repair Estimator

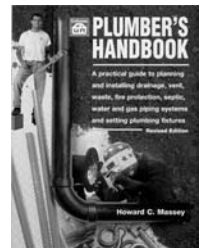
Current prices in dollars and cents for hard-to-find items needed on most insurance, repair, remodeling, and renovation jobs. All price items include labor, material, and equipment breakouts, plus special charts that tell you exactly how these costs are calculated. Includes a CD-ROM with an electronic version of the book with *National Estimator*, a stand-alone *Windows*<sup>TM</sup> estimating program, plus an interactive multimedia video that shows how to use the disk to compile construction cost estimates. **568 pages, 8 1/2 x 11, \$49.50. Revised annually**

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Shows how to read plans and compute quantities for both trench and surface excavation, figure crew and equipment productivity rates, estimate unit costs, bid the work, and get the bonds you need. Explains what equipment will deliver maximum productivity for a job, how to lay all types of water and sewer pipe, and how to switch your business to excavation work when you don't have pipe contracts. Covers asphalt and rock removal, working on steep slopes or in high groundwater, and how to avoid the pitfalls that can wipe out your profits on any job. **400 pages, 5 1/2 x 8 1/2, \$29.00**

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### Plumber's Exam Preparation Guide

Hundreds of questions and answers to help you pass the apprentice, journeyman, or master plumber's exam. Questions are in the style of the actual exam. Gives answers for both the Standard and Uniform plumbing codes. Includes tips on studying for the exam and the best way to prepare yourself for examination day. **320 pages, 8 1/2 x 11, \$29.00**

### Construction Estimating Reference Data

Provides the 300 most useful manhour tables for practically every item of construction. Labor requirements are listed for sitework, concrete work, masonry, steel, carpentry, thermal and moisture protection, doors and windows, finishes, mechanical and electrical. Each section details the work being estimated and gives appropriate crew size and equipment needed. Includes a CD-ROM with an electronic version of the book with *National Estimator*, a stand-alone *Windows*<sup>TM</sup> estimating program, plus an interactive multimedia video that shows how to use the disk to compile construction cost estimates. **432 pages, 11 x 8 1/2, \$39.50**

### Concrete Construction & Estimating

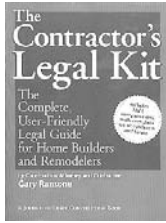
Explains how to estimate the quantity of labor and materials needed, plan the job, erect fiberglass, steel, or prefabricated forms, install shores and scaffolding, handle the concrete into place, set joints, finish and cure the concrete. Full of practical reference data, cost estimates, and examples. **571 pages, 5 1/2 x 8 1/2, \$25.00**

### Building Contractor's Exam Preparation Guide

Passing today's contractor's exams can be a major task. This book shows you how to study, how questions are likely to be worded, and the kinds of choices usually given for answers. Includes sample questions from actual state, county, and city examinations, plus a sample exam to practice on. This book isn't a substitute for the study material that your testing board recommends, but it will help prepare you for the types of questions — and their correct answers — that are likely to appear on the actual exam. Knowing how to answer these questions, as well as what to expect from the exam, can greatly increase your chances of passing. **320 pages, 8 1/2 x 11, \$35.00**



## The Contractor's Legal Kit



Stop "eating" the costs of bad designs, hidden conditions, and job surprises. Set ground rules that assign those costs to the rightful party ahead of time. And it's all in plain English, not "legalese." For less than the cost of an hour with a lawyer you'll learn the exclusions to put in your agreements, why your insurance company may pay for your legal defense, how to avoid liability for injuries to your sub and his employees or damages they cause, how to collect on lawsuits you win, and much more. It also includes a FREE computer disk with contracts and forms you can customize for your own use.

**352 pages, 8 1/2 x 11, \$59.95**

## Contractor's Survival Manual

How to survive hard times and succeed during the up cycles. Shows what to do when the bills can't be paid, finding money and buying time, transferring debt, and all the alternatives to bankruptcy. Explains how to build profits, avoid problems in zoning and permits, taxes, time-keeping, and payroll. Unconventional advice on how to invest in inflation, get high appraisals, trade and postpone income, and stay hip-deep in profitable work. **160 pages, 8 1/2 x 11, \$22.25**

## Estimating Electrical Construction

Like taking a class in how to estimate materials and labor for residential and commercial electrical construction. Written by an A.S.P.E. National Estimator of the Year, it teaches you how to use labor units, the plan take-off, and the bid summary to make an accurate estimate, how to deal with suppliers, use pricing sheets, and modify labor units. Provides extensive labor unit tables and blank forms for your next electrical job.

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How to calculate the amount of dirt you'll have to move and the cost of owning and operating the machines you'll do it with. Detailed, step-by-step instructions on how to assign bid prices to each part of the job, including labor and equipment costs. Also, the best ways to set up an organized and logical estimating system, take off from contour maps, estimate quantities in irregular areas, and figure your overhead.

**448 pages, 8 1/2 x 11, \$39.50**

## Scheduling With Microsoft Project 2000

Step-by-step instructions for using this software to keep your projects on schedule and within budget. Learn to adjust time scales, milestones, and tasks, assign and track resources and costs, monitor and update the schedule with baselines, keep track of changes to the schedule, compare and analyze actual costs, and record expenditures. With this powerful tool, you'll not only be able to track a job's progress, you can make reports of exactly where on the timeline everything is and when it will be done. Includes a disk with examples from a typical residential schedule. Requires that you have Microsoft Project 2000 on your computer.

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## Estimating Framing Quantities

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Almost everything you could possibly want to know about any word or technique in construction. Hundreds of up-to-date construction terms, materials, drawings and pictures with detailed, illustrated articles describing equipment and methods. Terms and techniques are explained or illustrated in vivid detail. Use this valuable reference to check spelling, find clear, concise definitions of construction terms used on plans and construction documents, or learn about little-known tools, equipment, tests and methods used in the building industry. It's all here. **416 pages, 8 1/2 x 11, \$36.00**

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Every area you need to check in a home inspection — especially in older homes. Twenty complete inspection checklists: building site, foundation and basement, structural, bathrooms, chimneys and flues, ceilings, interior & exterior finishes, electrical, plumbing, HVAC, insects, vermin and decay, and more. Also includes information on starting and running your own home inspection business. **324 pages, 5 1/2 x 8 1/2, \$24.95**

## Estimating Home Building Costs

Estimate every phase of residential construction from site costs to the profit margin you include in your bid. Shows how to keep track of man-hours and make accurate labor cost estimates for footings, foundations, framing and sheathing finishes, electrical, plumbing, and more. Provides and explains sample cost estimate worksheets with complete instructions for each job phase. **320 pages, 5 1/2 x 8 1/2, \$17.00**

## Greenbook Standard Specifications For Public Works Construction

Since 1967, eleven previous editions of the popular "Greenbook" have been used as the official specification, bidding and contract document for many cities, counties and public agencies throughout the West. New federal regulations mandate that all public construction use metric documentation. This complete reference, which meets this new requirement, provides uniform standards of quality and sound construction practice easily understood and used by engineers, public works officials, and contractors across the U.S. Includes hundreds of charts and tables.

**480 pages, 8 1/2 x 11, \$59.95**

## Managing the Small Construction Business

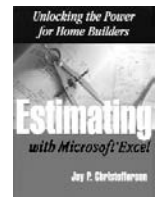
Overcome your share of business hassles by learning how 50 small contractors handled similar problems in their businesses. Here you'll learn how they handle bidding, unit pricing, contract clauses, change orders, job-site safety, quality control, overhead and markup, managing subs, scheduling systems, cost-plus contracts, pricing small jobs, insurance repair, finding solutions to conflicts, and much more.

**243 pages, 8 1/2 x 11, \$34.95**

## Estimating With Microsoft Excel

Most builders estimate with *Excel* because it's easy to learn, quick to use, and can be customized to your style of estimating. Here you'll find step-by-step instructions on how to create your own customized automated spreadsheet estimating program for use with *Excel*. You'll learn how to use the magic of *Excel* to create detail sheets, cost breakdown summaries, and links. You'll put this all to use in estimating concrete, rebar, permit fees, and roofing. You can even create your own macros. Includes a CD-ROM that illustrates examples in the book and provides you with templates you can use to set up your own estimating system.

**150 pages, 7 x 9, \$49.95**



## Residential Electrical Estimating

A fast, accurate pricing system proven on over 1000 residential jobs. Using the manhours provided, combined with material prices from your wholesaler, you quickly work up estimates based on degree of difficulty. These manhours come from a working electrical contractor's records — not some pricing agency. You'll find prices for every type of electrical job you're likely to estimate — from service entrances to ceiling fans.

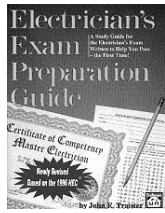
**320 pages, 8 1/2 x 11, \$29.00**

## Commercial Metal Stud Framing

Framing commercial jobs can be more lucrative than residential work. But most commercial jobs require some form of metal stud framing. This book teaches step-by-step, with hundreds of job site photos, high-speed metal stud framing in commercial construction. It describes the special tools you'll need and how to use them effectively, and the material and equipment you'll be working with. You'll find the shortcuts, tips and tricks-of-the-trade that take most steel frames years on the job to discover. Shows how to set up a crew to maintain a rhythm that will speed progress faster than any wood framing job. If you've framed with wood, this book will teach you how to be one of the few top-notch metal stud framers.

**208 pages, 8 1/2 x 11, \$45.00**

## Electrician's Exam Preparation Guide



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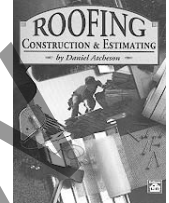
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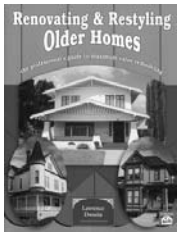
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