

What Is Job Costing

- Job costing is a project-based method for tracking total costs and revenue on a job including labor, material, equipment and applied overhead. It helps contractors keep score of their jobs and business.

Why Is Job Costing Important

- Job costing allows contractors to see the true cost of jobs and provide visibility into **future profitability**. This allows contractors to make adjustments when necessary to **increase profitability** – True job costing allows construction companies to focus on what is ahead vs. what has already happened.

Types of Job Costs

- *Direct*: All costs that can be directly identified with a particular job which can include material, labor, subcontracts and equipment.
- *Indirect*: Costs that can't be directly identified within a particular job but play a role in the completion of a contract and can include indirect labor, insurance, owned equipment, estimating and project management.

Committed Costs

- Committed costs are cost obligations; therefore, you're committed to that cost. With job costing you can see where you have committed cost in a project and the budget you have available for future expenses / additional costs.

How to Improve Job Costing

- Track time and labor, review cost codes, monitor billing, track/include COs, review projects frequently and include overhead costs.

How to Use the Results of Job Costing to Increase Profitability

- Make proactive decisions on current jobs and costing process, analyze the results of completed jobs to assist in planning / process improvement for future jobs, use estimating errors as lessons for future projects, improve communication by regularly seeking input on the status of jobs.