



Conquer Your Clients With Better Job Costing

By Mindy Williams

Billing is the lifeblood of every agency. No agency can make money if it doesn't bill. And it can't make a profit unless it bills for its work accurately.

But in the ad business, billings are based on costs. So in your agency, billing can only be as good as your job costing. Without a timely, accurate job costing process, you've got chaos—missing costs, underbilled expenses, late billing, and disputed payments.

And that can get expensive.

Good job costing means that everything your shop does for its jobs is billed to your clients. It means the right jobs are billed to the right clients. And it means you're being paid for the great work you do.

Tracking job costs is the only way AEs know what's been spent on client work. And it's the only way billing people know what to charge your clients. Without good cost accounting, your shop loses money every time a job cost isn't billed to a client.



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CONQUER YOUR CLIENTS



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Poor job costing certainly affects the shop's bottom line, since any cost that's unbilled means the company earned less. But it also affects AEs, who'll never know if they're estimating accurately. This makes job costing one of the most critical jobs in the agency.

Job costing is a team effort

Everyone plays a part in keeping job costing accurate, whether they know it or not. Be sure every staff member knows the critical importance of daily time keeping and expense reporting. They need to appreciate that client billing depends on tracking these costs, and that late or missing costs affect the shop's reputation with their clients—and ultimately its profitability and their own job security.

No surprises

Attention to the bottom line keeps jobs on-time and on-budget, which keeps clients satisfied and profitable. Every client appreciates accurate and timely billing that has no surprises. This is only possible with reliable, consistent, and timely job costing.

What exactly is a job cost, anyway?

It's simple. Everything the shop spends on a client's job is a job cost. This includes time (both billable and unbillable), vendor purchases (e.g., printing, etc.), out-of-pocket expenses (e.g., tolls, parking, etc.)

and internal charges (e.g., color proofs). They're all important and all have to be accounted for on jobs and tasks.

Time is the easiest to track, but it demands the most involvement and cooperation from the staff. Staff members can use the pop-up time card in Clients & Profits to track their hours while they work. Or hours can be

entered weekly from a paper time slip using Time Sheets. Staffers can even enter their hours from home, a hotel room, or a client's conference room using the My Clients & Profits! web server. With Clients & Profits, there's no reasonable excuse why time can't be tracked.

Outside purchases are entered into Accounts Payable from invoices received from vendors. An invoice can be split between different jobs and tasks, so that each cost amount is charged to the right client job. Purchases should be entered daily, proofed, and then posted. A/P clerks tend to keep invoices together until there are enough to make them worth entering, but this slows down the job costing process. It's better to enter them every day after the mail arrives.

In-house expenses and internal charges are any costs that are not time or vendor purchases. Expenses are out-of-pocket costs like parking, tolls, faxes, telephone calls, and other incidentals. Pricier expenses for such things as color proofs, zip disks, and CD-Rs can be job costed as internal charges. Internal charges can be set up in a table with

Is your shop a job costing team yet?

“Job costing is a team effort. Different persons in your shop are responsible for entering and tracking (different kinds of) job costs. But everyone should be responsible for entering their own time.”

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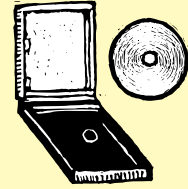
What do you like about job costing with Clients & Profits?

A recent survey asked: What do you like about job costing with Clients & Profits? Their answers illustrate why so many shops use it as their one, and only, agency software.

- **Job costing process is accurate, quick and easy regardless of the type of job cost**
- **Happens at any phase of the job and is controlled through budget and status alerts**
- **Amounts flow automatically onto job ticket, job costing, profitability and General Ledger reports**
- **Flows right into billings so less time is spent creating billings**

How do you compare?

- 64% regularly charge 20% or more markup on outside costs (up to 36%)
- 37% base markup on task only; 18% base on client only; 21% base on both
- 75% transfer costs between jobs
- 90% charge clients for faxes, zip disks, etc.
- 81% enter outside costs on a daily basis (Good for you!!)
- 84% have one or two people adding outside costs
- 15% use budget alerts to keep costs from going over budget
- 31% do not track work in progress



Markups do good work

By John Duffy

When job costing, what is a key ingredient? I'll give you a hint: It could be small or it could be large, usually depending upon the client or task involved. It's your markup. Markup is a percentage by which all outside net costs are multiplied. It helps you collect enough extra money to begin building job profit.

A recent Clients & Profits survey showed that 30% of shops regularly charge 25% markup or more (up to a high of 36%.) Are you still charging 17.65 percent? It is time to start collecting more!

In Clients & Profits, cost markups are set up by task or client. Client markup overrides all other markups, so if you've promised a special markup to a specific client, Clients & Profits tracks that automatically.

Markups flow where needed as you do data entry, so you don't have to remember what markup to charge. Of course, markup can be edited, if necessary, at the job ticket or data entry levels.

A job cost type of Accounts Payable

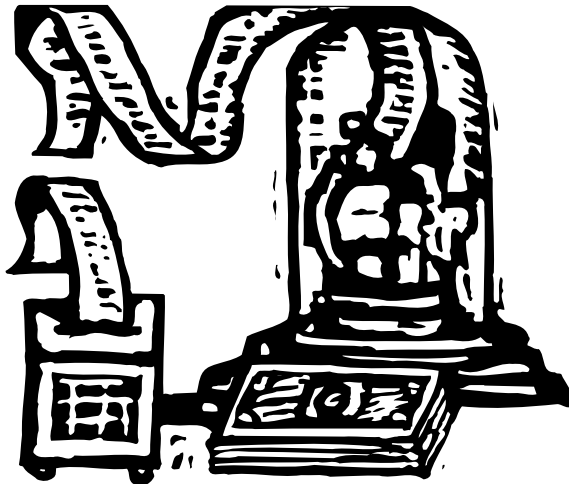
invoice can combine both job cost and overhead charges. For overhead distributions, use the word "NONE" for the job. Clients & Profits then skips task, markup and gross. When distributing to jobs, Clients & Profits knows to use your markup to produce gross amounts.

Sometimes, especially for big ticket items, clients pay a vendor directly. For jobs to correctly reflect profitability, enter an A/P invoice as usual with markup. To remove that invoice from your vendor aging, add a vendor credit with the credit GL assigned to the "suspense" account (i.e., 999998). Then add the amount that the client paid directly as a client retainer payment with the debit GL to suspense.

When the job is invoiced, apply the amount of the retainer payment to the billing. What remains to be paid by the client is your markup.

Viva la markup!


John Duffy is a senior member of the Clients & Profits Helpdesk.





In-house expenses & internal charges—why bother?


You do a lot more than spend time working on your clients' behalf. Lots of money is spent on various supplies for your clients' jobs, too. Zip disks, CDs, mat boards, furies, color scans, faxes and video tapes are some of the items you use.


What's the best, and easiest, way to track these items, when usually they've been paid for days, weeks or months in advance of your using them on a client's behalf?

 If you don't charge for in-house expenses, you're losing an important source of income (not to mention just covering costs) for your shop.

 You may think the net costs amount to only pennies on individual items, but marked up amounts are substantial when you consider all the supplies you use or produce.

 The best way to handle entering these items is for staffers who use them or create them to add them as they are done or used.

 Accountants can relax because the costs don't affect the General Ledger until billed to the client. Give each artist the access to enter their own in-house expenses or internal charges.

 When charges are entered immediately, artists don't have to make notes for someone else. Or even worse--completely forget about the charges.

Entering these items in a timely fashion increases the chances for accurate job costing. And job reports are more meaningful because they reflect all costs associated with a job as they happen.

DETAILED JOB SUMMARY

It's the best place to see how much has been spent on a job

1. The **estimate** amounts for each job task include all internal staff time, outside buyouts, in-house expenses, and other charges. These amounts are what the client sees—and approves—on the printed estimate.

2. The **budget** amounts represent the agency's cost to produce each task. Budgets are optional, but are used by the budget alerts to notify production managers when a job is going over budget.

3. Staff hours can be estimated for individual job tasks. The client may or may not see these estimates, depending on how much detail the AE displayed on the printed invoice. In any case, these estimates are useful guidelines to the creative staff to help them budget their time. The actual hours spent on these tasks are calculated from time cards and time sheets.

4. The **Net POs** column shows the job's outstanding purchase, insertion, and broadcast orders. These are orders that have been committed to, but have yet to be invoiced by the vendor.

5. **Vendor buyouts** are purchases made on the client's behalf. They are entered as invoices in Accounts Payable. Only posted invoices update job reports.

6. **Expenses** are in-house charges for non-vendor purchases, such as faxes, tolls, food, and other incidentals.

| Marketing Communications | | Detailed Job Summary | | | | | Web Site - Sales Page Master Template | | Reynolds Electronics | | Approved, In Production | |
|--------------------------|--|----------------------|---------------|--------------|---------------|--------------|---------------------------------------|---------------|----------------------|----------|-------------------------|--|
| Number: REE-111 | | 1 | | 2 | | 3 | | 4 | | 5 | | |
| Client: REE | | Estimate: | | Budget: | | Est. Hours: | | Actual Hours: | | Net POs: | | |
| Production Status: 200 | | | | | | | | | | | | |
| Type: Interactive | | | | | | | | | | | | |
| Task: | Description: | Estimate: | Budget: | Est. Hours: | Actual Hours: | Net POs: | Ve Buy | | | | | |
| DES | Design/Concept | 1,744.00 | -- | 4.00 | 2.00 | -- | -- | | | | | |
| ADD | Art Direction | 1,230.00 | -- | 9.00 | 4.00 | -- | -- | | | | | |
| CCM | Comprehensive Layout | 1,534.00 | -- | 6.00 | 4.25 | -- | -- | | | | | |
| CDD | Creative/Design Direction | 668.00 | -- | 3.00 | 1.25 | -- | -- | | | | | |
| CRV | Creative/Design Revisions | 1,137.00 | -- | 8.00 | -- | -- | -- | | | | | |
| EDS | Editing | 931.00 | -- | 3.00 | 1.50 | -- | -- | | | | | |
| | Creative | 7,244.00 | -- | 33.00 | 13.00 | -- | -- | | | | | |
| | | 3,438.80 | 183.00 | 2.50 | 7.00 | -- | -- | | | | | |
| CPR | Programming | 999.00 | -- | 6.00 | 5.00 | -- | -- | | | | | |
| PRM | Production Management | 1,699.00 | 290.00 | 4.00 | 1.00 | -- | -- | | | | | |
| CTP | Illustration | 1,132.00 | -- | 4.50 | -- | -- | -- | | | | | |
| PRV | Production Art Revisions | 7,268.80 | 473.00 | 17.00 | 13.00 | -- | -- | | | | | |
| | Production | | | | | 40.00 | -- | | | | | |
| FED | Federal Express | 1,912.00 | -- | -- | -- | -- | 40.00 | | | | | |
| CGL | Computer-Generated Linos/ Fulfillment | 3,381.00 | -- | -- | -- | -- | 40.00 | | | | | |
| | | 5,293.00 | -- | -- | -- | -- | -- | | | | | |
| PJM | Project Management | 749.00 | -- | 3.00 | 4.00 | -- | -- | | | | | |
| | Account Management | 749.00 | -- | 3.00 | 4.00 | -- | -- | | | | | |
| TOTAL: | | 20,554.80 | 473.00 | 53.00 | 30.00 | 40.00 | | | | | | |

Specifications:
Design, write copy and produce web page ad template for full-sales pages. Format will be flexible to accommodate one to six promotions in a modern, flexible format. Estimate is for producing template web pages with programming. Additional estimates can be provided for copy art production of specific sub-pages for projects. The finished product is a digital file and laser proof. If additional art is needed a change order can be provided.

| Order outs: | 6 Expenses: | 7 Time Cost: | 8 Total Cost: | 9 Outside Gross Cost: | 10 Billings: | 11 Unbilled: | 12 Estimate Remaining: |
|----------------|--------------------------------------|-----------------|------------------|-----------------------------|-----------------|-----------------|------------------------------|
| | -- | 70.00 | 70.00 | -- | -- | 200.00 | \$ 1,744.00 |
| | -- | 130.00 | 130.00 | -- | -- | 400.00 | \$ 1,230.00 |
| | -- | 127.50 | 127.50 | -- | -- | 425.00 | \$ 1,534.00 |
| | -- | 37.50 | 37.50 | -- | -- | 125.00 | \$ 668.00 |
| | -- | -- | -- | -- | -- | -- | \$ 1,137.00 |
| | -- | -- | -- | -- | -- | 175.80 | \$ 931.00 |
| -0.00 | 25.80 | 60.00 | 85.80 | -- | -- | 1,325.80 | \$ 7,244.00 |
| 0.00 | 25.80 | 425.00 | 450.80 | -- | -- | -- | -- |
| | -- | 210.00 | 210.00 | -- | -- | 630.00 | \$ 3,438.80 |
| | -- | 150.00 | 150.00 | -- | -- | 450.00 | \$ 999.00 |
| | -- | 30.00 | 30.00 | -- | -- | 90.00 | \$ 1,699.00 |
| | 112.50 | -- | 112.50 | -- | -- | 112.50 | \$ 1,132.00 |
| | 112.50 | 390.00 | 502.50 | -- | -- | 1,282.50 | \$ 7,268.80 |
| | -- | -- | 33.00 | 39.60 | -- | 39.60 | \$ 1,912.00 |
| 33.00 | -- | -- | 106.60 | 127.92 | -- | 127.92 | \$ 3,381.00 |
| 06.60 | -- | -- | 139.60 | 167.52 | -- | 167.52 | \$ 5,293.00 |
| 39.60 | -- | -- | -- | -- | -- | -- | -- |
| | -- | 160.00 | 160.00 | -- | -- | 360.00 | \$ 749.00 |
| | -- | 160.00 | 160.00 | -- | -- | 360.00 | \$ 749.00 |
| | | | | | | | |
| 139.60 | 138.30 | 975.00 | 1,252.90 | 167.52 | -- | 3,135.82 | \$ 20,554.80 |
| | Summary: | | | | | -1,252.90 | |
| | Gross margin: | | | | | 20,554.80 | |
| | Estimate remaining: (est - billed) | | | | | 20,554.80 | |
| | Estimate + Change Orders | | | | | 23.00 | |
| | Hours remaining: (est hrs - act hrs) | | | | | 1,292.90 | |
| | Open POs + Costs: (net POs) | | | | | 3,358.40 | |
| | Advance billings/retainer balance: | | | | | | |

7. The **time cost** column shows the total dollars spent on staff time from time cards and time sheets. The cost is based on the staff member cost rates, which are optional. The time cost is not part of payroll, so it is an approximate estimate of the labor costs incurred to complete each job task.

8. The **total cost** is the sum of outside purchases (i.e., A/P), time costs (i.e., from time cards and time sheets), expenses, and internal charges.

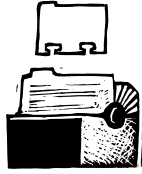
9. The **outside gross cost** is the sum of all job costs including markups.

10. The **billings** column shows the total amount billed so far to the client.

11. The **unbilled** amount is the difference between the job's gross costs and the billings to date. It is the amount to be billed during the next billing cycle.

12. The **estimate remaining** shows the difference between the job's original estimate plus any change orders, less the job's billings to date.

JOB COSTING QUESTIONS AND ANSWERS



Q. Which costs affect the G/L? Why?

A/P invoices, job cost checks and Employee Expense reports all affect the General Ledger. When they are added you'll reference a job and task, and when they are posted the job will get updated along with the G/L.

Q. Which costs do not affect the G/L?

Time, in-house expenses and internal charges don't affect the G/L. They are entered into the G/L in other ways. For example, payroll is entered through a journal entry based upon your actual payroll checks.

Q. Why can I enter a job number on journal entries? Does it affect the job?

This is for reference only, it does not affect the job. Audit Trail reports can be printed for a job or sub-totaled by job. This is useful for analysis, but it has no impact on the job.

Q. Are POs job costs?

No, POs are not considered job costs in Clients & Profits. They are committed costs and always appear in their own column on reports—never with actual job costs.

Q. What is a job cost's billing status?

A job cost's billing status is a word that describes the current state of an individual cost in regard to its being billed. Examples of cost status are: *Unbilled*, *Billed*, *Unbillable*, or *On-Hold*. If an unbilled cost is included on an A/R invoice, like a Progress/

Final billing, its cost status changes from Unbilled to Billed. Cost statuses can also be manually edited.

Q. How and why do you write off costs?

You should write off costs once the client has been billed as much as possible for the job (and you can't transfer unbilled costs to another job.) This

will allow you to review them using the Write-offs report and analyze your problem clients. Costs are written off from the job WIP window, which lists a job's costs. Write-offs can be automated by setting the "write-off all unbilled costs" option in Preferences. If checked, this option will automatically change the cost status to "write-off" for any remaining unbilled costs whenever a job is closed.

Q. Are checks that pay A/P considered job costs?

No. That's because the A/P invoices themselves were job costs. (If they were, you would be charging the job twice for the same cost.) You can, however,

write checks for job costs (called "direct disbursements"). These checks don't pay off a vendor invoice; instead, you can enter any number of jobs and tasks.

Q. When is an amount on a check considered a job cost?

When it was added as a job cost check (not a vendor, overhead, or employee expense check). It means that the step of adding an invoice to a job was skipped.

Write off unbilled costs only if you can't transfer them:

"To write off costs...select the WIP button. Choose the toolbar button to 'Write off all unbilled costs.'

Or you can choose an individual cost to write off by editing its billing status to Write-off."



GUARANTEED GREAT IDEAS!

Job Costing Tips from Real Clients & Profits Users

These Clients & Profits users share their tips on how they manage job costing better:

Don't start work on a job without a client-signed estimate. "We do not start any work unless we have the estimate signed," says Laura Noble Plaura of Muse Cordero Chen. "It's very easy for the client to change its mind, and if you started work before you received the written approval you may be stuck with incurred costs, as they were not approved."

Pinpoint exact billing amounts. "We have a strict cut-off date for billing, but sometimes additional costs are added before we can bill," says Kathy Borgione of Benghiat Advertising. "We use the Job Cost report from Snapshots to print job cost reports for a specific date range. We can then bill exactly the amounts we want to and leave the remaining costs for the next billing cycle."

Review all job cost detail quickly. "I print the Job WIP report from a job's WIP window before I think about closing a job," says Laney Gutstein of The Gary Group. "It helps me determine if a cost has gone unbilled. At our shop, we call it our Nothing Falls Through The Cracks report."

Always use change orders to track changes in a job's costs. "Using change orders helps us track changes to a job's original estimate," says Dawn Jaworski of Gabriel Diericks Razidlo. "Change orders show up on the Detailed Job Summary report (see pages 4-5) in their own column making them very easy to track. We use the Job Summary report a lot when getting ready to close job to be sure that all costs are within estimate."

Don't forget late job costs. "As soon as a job is complete, we close it. If any late costs come in," says Russ Norwood of 2g Marketing, "we are immediately notified because jobs are reopened and get the 'reopened' status. Our late costs get billed, not forgotten about."



GETTING READY TO BILL

By Karen Farnum



Let's face the facts: You need to bill your clients for the work that you do. But for every hundred agencies, there are a hundred different ways to do billing. The key is to first figure out your internal billing process, then see how Clients & Profits fits into it. Here are some ideas to help.

Someone first needs to identify the jobs that are ready to bill. It's usually the AE, but not always. The accounting department should establish a routine billing cycle (e.g., 15th and 30th of the month) so everyone knows the billing cutoff time—and be sure to stick to it. While every client has a special billing situation, these cause delays in billing—which means delays in payment.

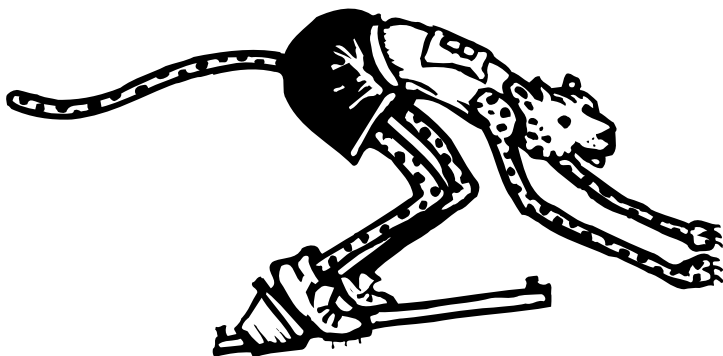
Start by printing the Billing Worksheet from Snapshots, since it lists all jobs with currently unbilled costs. (Hint: Use a "Ready To Bill" status code that lets AEs communicate which jobs to bill with the accounting department easily and efficiently.). Use this report as a billing checklist (it can even identify the steps of your shop's billing workflow on the report itself). Use it as a

guide to review a job's costs: Are the job cost Accounts Payable invoices added and posted? Has all time been added? What about in-house expenses? Have the A/P invoices and the expenses been posted? And of course review any open POs then contact the vendor to find out if you owe them additional money.

(Another tip: Instead of printing cost reports on paper, train your AEs to review job costs using Clients & Profits. All costs can be reviewed online right from the Job Ticket window. The trees you'll save thank you in advance.)

Once the jobs have been reviewed, the invoice can be created in A/R. There are many shortcuts that make adding invoices for unbilled jobs fast and easy (the Better Billing newsletter has details). Now the invoices you've created can be printed for a final review, posted, then mailed to awaiting clients.

Karen Farnum is a senior member of the Clients & Profits Helpdesk. She can be reached at karen@clientsandprofits.com.



Job Cost Transfers

It's going to happen sometime. You've got a cost on a job that can't be billed. Or you've gone over estimate, a vendor invoice was added to the wrong job or something unexpected happened. What to do? Transfer the job costs.

Job cost transfers allow billable costs from one job or task to be charged to another. You can move a cost from one job to a different job, or from one client to another client.

Both the net and gross (billable) amount can be transferred. Generally, only the gross (billable) is moved. Here's why: You want to keep an accurate total of what the job's production cost is. If you transfer net cost, the job the cost is transferred from becomes more profitable than it really is because it's missing a net cost. The job the net cost is transferred to is less profitable as it now shows a net cost it didn't incur.

What if a cost has the wrong job number? If a net cost is mistakenly placed on the wrong job, transfer both the net and gross cost to the correct job. This procedure is easier than unposting, editing and reposting the transaction.

What about unbilled time? If the cost to be transferred is unbilled time on the wrong job, simply edit the time entry. This moves the hours in addition to the net and gross amounts to the proper job. If unbilled time can't be billed from its job, leave the hours and net cost and transfer just the gross (i.e., unbilled) amount only.

Whoa there, buddy. Be sure to limit employees who have access to job cost transfer. It is possible to use this method to make jobs look more profitable than they really are. You do not want someone to abuse this useful tool.

CONQUER YOUR COSTS (con't)



Continued from page 2

a standard per-unit price, so that charges are priced based on the quantity used. In addition, checks can be written for job costs that are bought COD. These costs, called *direct disbursements*, can be allocated to any number of jobs and tasks.

Don't overlook purchase orders

Purchase orders are your first line of defense for outside costs, so don't overlook them. POs help document exactly what's being purchased from a vendor, and have two purposes: they track upcoming costs on jobs and tasks, and they ensure the vendor's invoice doesn't exceed what the agency ordered. They're a great tool for keeping tabs on vendors, whom you can't always trust.

Plus, tracking POs allows AEs and the accounting department to see any outstanding orders that haven't been billed by vendors before the billings go out. These upcoming costs can then be billed on the same invoice as the current costs, eliminating missed billings.

The secret to excellent job costing

The staff is your secret weapon for better job costing. Once your costing and billing process is defined and established, the shop's employees can enter the day-to-day time, costs, and expenses into Clients & Profits as a matter of habit.

Clients & Profits helps in dozens of ways by automating most of the data entry, billing review, and invoicing process. For example, Clients & Profits forces users to enter only valid open jobs and tasks, so costs don't fall through the cracks. And budget alerts can be set to notify staff members when they're spending too much time or money on a job task. Both pre-billing and post-billing job and cost reports make it easy for AEs, account supervisors, production managers,

and management to see where job costs happened. And since there's no double-entry, job costs update billing and financial accounting data in one step. Together, these features help make entering job costs quick, easy, and accurate.

Keeping tabs on job costs

The most successful agencies that use Clients & Profits prosper because they know their costs and bill them quickly, regularly, and accurately. Without knowing all of your job costs, you'll never know if you're making the most of efforts of your staff's labors. But with accurate job costing, Clients & Profits offers dozens of ways to analyze the profitability of your jobs and clients. In the end, you'll get the numbers you need to know your true performance.

Mindy Williams is a senior member of the Clients & Profits Helpdesk. She teaches the new-user training classes and edits the quarterly newsletters.

CLIENTS & PROFITS is job production and accounting software designed especially for creative businesses. Since 1986, more advertising agencies have chosen Clients & Profits over any other agency management software for Macintosh and Windows. Over 2,200 ad agencies, graphic design firms, and corporate marketing departments use Clients & Profits to track jobs, costs, and billings every day. For more information, send email to info@clientsandprofits.com.

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The Triangle Building
4755 Oceanside Blvd. Suite 200
Oceanside, CA 92056
(760) 945-4334

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