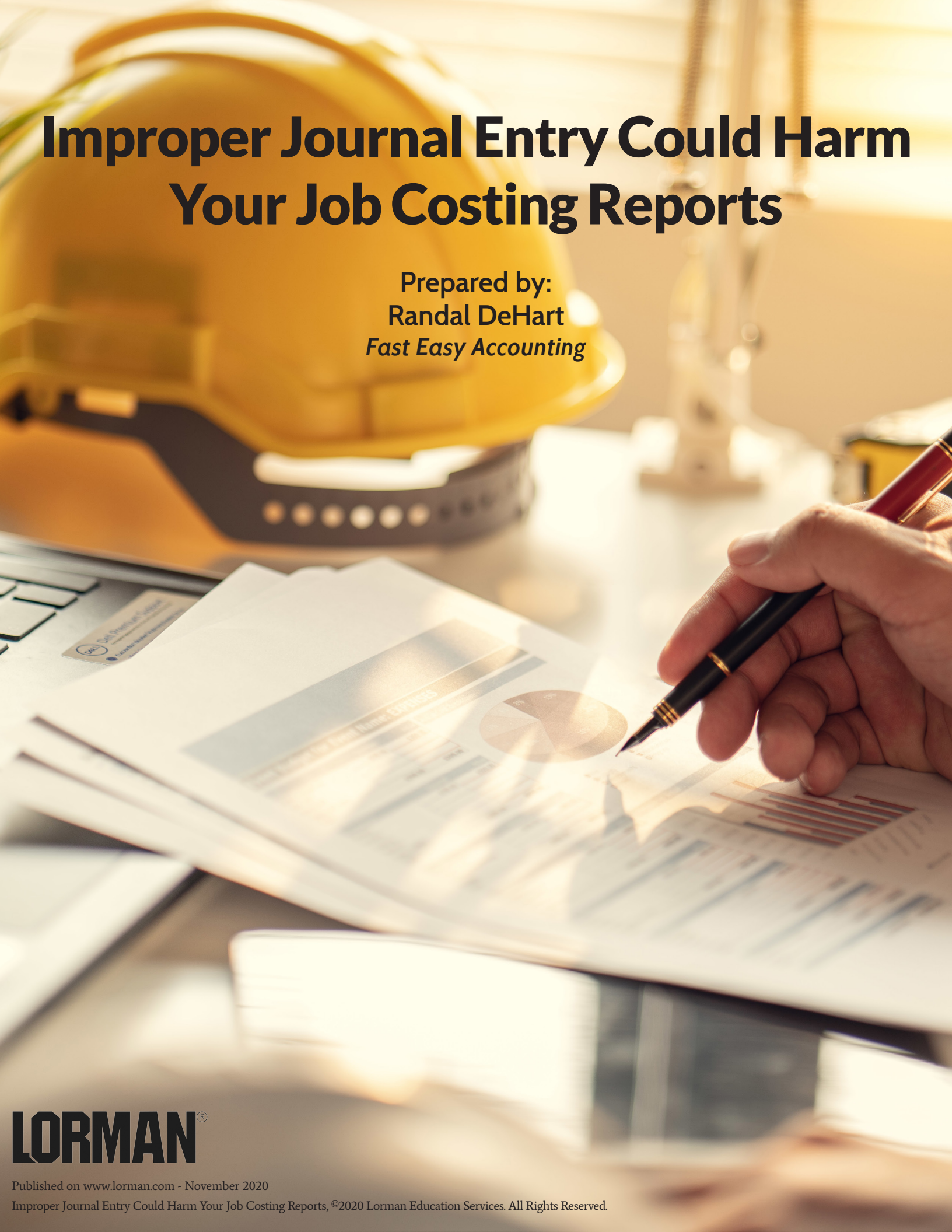


Improper Journal Entry Could Harm Your Job Costing Reports

Prepared by:
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Fast Easy Accounting



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Improper Journal Entry Could Harm Your Job Costing Reports

Written by [Randal DeHart](#)

Journal entries are a quick and dirty way to get transactions in without putting forth the time and effort to enter each transaction. In the short run, you save time; in the long term, you can forget about the accurate [Job Cost Reports](#).

QuickBooks set up right and choosing the correct [QuickBooks Version](#) (QuickBooks Mac here) is the most critical part of being able to generate accurate reports including Job Cost Reports all because it is the foundation upon which your entire financial system is built. Put the wrong foundation under your business, and it will not matter who is doing the bookkeeping because it will always be a mess and you will never get the reports you need to operate and grow your business profitably. Your [Board of Advisors and especially your banker](#) will be unhappy; however, they may not say it outright, just that your loans, lines of credit, and referral opportunities may be limited.

As an example, credit card statements are the most common we see followed by vendor statements from lumber yards, Home Depot, Lowe's, concrete suppliers, plumbing and electrical suppliers, and others.

The bookkeeper shuffles through a pile of paperwork or electronic documents and finds a credit card statement like the sample above and notices it has many transactions. Depending on how well the [bookkeeper has trained the contractor](#) is what determines whether the transactions are entered properly, and the costs assigned to a job using the item codes or if there is one giant Journal Entry like the one shown below.

The screenshot shows a software window titled "Make General Journal Entries". It features a menu bar with options: Previous, Next, Save, Print..., Find, History, Reverse, Reports, and Attach. Below the menu bar, there are input fields for "Date" (set to 12/15/2016) and "Entry No.", along with a checked "Adjusting Entry" checkbox. The main area contains a table with columns: Account, Debit, Credit, Memo, N., B., and Class. The table has two rows of data:

Account	Debit	Credit	Memo	N.	B.	Class
6240 · Miscellaneous	5,000.00					
2060 · Visa Card Payable		5,000.00	Journal Entry Credit Card Statement For July 2012			
Totals	5,000.00	5,000.00				

At the bottom of the window, there are three buttons: "Show List of Entries", "Save & Close", and "Save & New".

As you can see, there is no place to record the Job Cost information which some contractors call Schedule of Values, CSI Codes, SOV, WIP and a bunch of other labels used to describe the terms that are common to both construction accounting and construction project management.

We have seen hundreds of situations where a regular bookkeeper/somebody has input one giant Journal Entry instead of properly coding and inputting each transaction and then told the contractor QuickBooks would not produce accurate [Reports](#) of any kind. In a few situations, the bookkeeper has suggested we should use our influence with QuickBooks to get them to fix the problem.

Four things to watch for that could be killing Job Cost Reports:

1. Are there more than three Journal Entries a month?
2. Are credit card charges and payments being recorded with Journal Entries?
3. Are supplier and vendor bills and payments being recorded with Journal Entries?
4. Are the Job Cost and Profitability Reports vastly different from the Profit and Loss Reports?

We Have a [Bookkeeping System](#) and checklists for everything and including a Quarterly Review Checklist to make sure all transactions are correctly coded based upon the electronic and paper documents our clients provide us.

If your intention is to someday sell your business and retire, excessive Journal Entries will not help you get the best possible price because there are several financial ratio's that will not calculate using Journal Entries.

In conclusion

From an accounting point of view, there is nothing wrong with Journal Entries and many companies operate with a set of Journals, Ledgers, and Sub-Ledgers and they generate financial reports and file taxes with no problems at all.

From a [Project Management](#) and business planning perspective, the opposite is true because accounting looks backward into historical records to determine what happened and why. Project Management, Business Planning and Forecasting looks forward and bases projections on accounting records in the form of financial ratios, job Costing and uses [SWOT Analysis](#) to determine the best place to focus your company's limited resources to [optimize profits](#).

About The Author:

[Randal DeHart, PMP, QPA](#) is the co-founder of Business Consulting And Accounting in Lynnwood Washington. He is the leading expert in outsourced construction bookkeeping and accounting services for small construction companies across the USA. He is experienced as a Contractor, Project Management Professional, Construction Accountant, Intuit ProAdvisor, and QuickBooks For Contractors Expert. This combination of experience and skill sets provides a unique perspective which allows him to see the world through the eyes of a contractor, Project Manager, Accountant and Construction Accountant. This quadruple understanding is what sets him apart from other Intuit ProAdvisors and accountants to the benefit of all of the construction contractors he serves across the USA.

Visit <http://www.fasteasyaccounting.com/randal-dehart/> to learn more.

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