QuickBooks Online for construction clients

Karine Woodman
Take a minute
to connect with
your neighbor

#QBConnect | WiFi: QBConnect
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Today’s speaker

Karine Woodman
Founder and CEO
@24hrbookkeeper
Agenda

Types of construction

Understanding construction financial workflows
• Receivables
• Payables

Financial structure and reporting for construction

QuickBooks Online for construction
• Using Projects
• Progress Invoicing
• Receipt Management
• Managing Customers and Vendors
The Construction industry has more than 680,000 employers with over 7 million employees and creates nearly $1.3 trillion worth of structures each year.

Associated General Contractors of America
QBO vs. QBO with Construction Software

QuickBooks Online (QBO) (stand alone)
• Works for basic job costing
• Has reporting and real time tracking for income and expenses
• Additional functionality such as scheduling and document storage will need to be handled outside of QBO

QuickBooks Online (QBO) with Construction Software
• QBO is where company financials get handled and construction software manages project management
• Not everyone needs access to QBO
• Has construction specific functionality

QBO for construction clients: Can use either QuickBooks Online Plus or QuickBooks Online Advanced
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Types of construction

General Contractors
- Large developments
- Retail Centers
- Apartment buildings or multi unit
- Manufacturing facilities

Subcontractors
- Electrical
- Plumbing
- Pools
- Landscaping

Home Builders & Remodelers
- Custom homes
- Model/Spec homes
- Luxury homes

IMPORTANT TIP: Construction types apply to both residential and commercial projects
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Managing receivables

**Fixed pricing**
- Agreed upon at contract signing
- Billed in increments
- Can be billed per agreement fixed terms

**Cost plus**
- Agreed upon at contract signing
- Billed on costs incurred
- Provide copies of invoices
- Line item the Profit & Overhead (Builder fee)

**Percentage of Completion**
- Recognized as percentage of work completed
- Should be able to estimate materials used
- Used on longer-term contracts

TERMINOLOGY TIP: Invoicing might be referred to as “billing” instead of “invoicing”
Examples of invoicing methods

These formats work for both residential and commercial contractors

• Draw requests
• QuickBooks invoice
• AIA form
• Invoice based on contract terms set
• Sent via project management software
• Verbal request to customers
• Payment received without a request being sent
Managing payables

Vendors
• Materials only
• Would not provide a purchase order
• Costs can vary from estimate
• Net payment terms

Subcontractors
• Outsourced service
• Provide 1099 at year end
• Can include both labor, materials or both
• Work with purchase orders
When and how do they pay their bills?

There is a variance of the options and more than one could be used if no true system is in place.

- Pays the bills when the customer pays them
- Pays on a regular schedule (ex. Every Friday)
- Pay their bill via credit card
- Pay their bills via check (by mail or on job site)
- Release payment to sub automatically based on work completed
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Setting up the Chart of Accounts

Profit & Loss Accounts
• Income
• Cost of Goods Sold (COGS)
  – Direct Costs
  – Indirect Costs
• Overhead Expenses

Balance Sheet Accounts
• Work in Progress (WIP)
• Under/over billing
• Liabilities
Setting up Products & Services

- Want to use for Builder’s cost codes
- Used for estimates
- Can progress invoice by these line items
- Can pull a report to see what was spent by each product or service

If using 3rd party construction software, this is likely the channel in which they communicate for integration
Reporting for construction

- Budget vs. Actual
- Profit & Loss by Customer report
- Profitability report
- Accounts Receivable
- Accounts Payable
- Transaction reports
Questions?
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Projects in QuickBooks Online

- Centralized place to manage projects
- Manage project transactions from one place
- Manage project reports from one place
- View projects by status and by customer
- Change project statuses
- Keep notes on projects
- Must be on QuickBooks Online Plus or Advance version

IMPORTANT TIP: Transactions must be tagged to a customer to be viewed in Projects
Projects: Settings

Gear > Account and Settings > Advanced > Projects
## Projects: Settings

Gear > Account and Settings > Expenses > Bills and expenses

<table>
<thead>
<tr>
<th>Bills and expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Show Items table on expense and purchase forms</td>
<td>On</td>
</tr>
<tr>
<td>Track expenses and items by customer</td>
<td>On</td>
</tr>
<tr>
<td>Make expenses and items billable</td>
<td>On</td>
</tr>
<tr>
<td>Default bill payment terms</td>
<td>Net 10</td>
</tr>
</tbody>
</table>

[Image of bill payment settings]
Projects: Settings

Gear > Account and Settings > Sales > Progress Invoicing

- **Progress Invoicing**: Create multiple partial invoices from a single estimate - **On**
Projects: Create

Click on Projects in the navigation bar > New project
Project: Implementation
Projects: Reporting

- **Profit Margin**
  - Income: $0.00
  - Costs: $1,470.00

**Project Reports**

- **Project profitability (without time costs)**
  How much you’re making or losing on this project.

- **Time cost by employee or vendor**
  See employee or vendor time costs on this project.

- **Unbilled time and expenses**
  Find expenses and time you haven’t added to an invoice.
Projects: Converting existing sub-customers to Projects
Converting sub-customers to Projects

• Sales > Customers

• Message below money bar allowing you to “convert now”

• You’ll see option to convert if:
  — Projects are turned on
  — You have sub-customers with setting “bill with parent”
  — The sub-customers do not have active or inactive sub-sub customers

• Notification when complete

IMPORTANT TO KNOW: This is a one-time conversion and cannot be undone
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Progress Invoicing in QuickBooks Online

- Great option to bill against line items
- Invoice against estimate with different methods
- Keeps estimate open and shows balance remaining
- Only move to A/R what is actually due (rather than entire estimate amount)

IMPORTANT TIP: Estimates are non-posting transactions so they can reflect the entire project amount
Progress Invoicing: Estimate

Quick Sign (+) > Estimate
Progress Invoicing: Invoicing from Estimate

How much do you want to invoice?

- Total of all estimate lines = $1,250.00
- 50% of each line = $625.00
- Custom amount for each line

Create invoice
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# Receipt management: Receipts

## Receipts

Drag and drop files here or browse to upload

**Set up receipt forwarding**

1. Register your email to get started
2. Send receipts to QuickBooks

**Snap on mobile - get the app**

- Mobile number
- Send link

### Receipt management

<table>
<thead>
<tr>
<th>RECEIPT</th>
<th>TRANSACTION DATE</th>
<th>DESCRIPTION</th>
<th>PAYMENT ACCOUNT</th>
<th>TOTAL AMOUNT / TAX</th>
<th>CATEGORY OR MATCH</th>
<th>ACTION</th>
</tr>
</thead>
</table>

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Managing customers

• All transactions must be tagged by customer to produce reports by customer
• How to setup the customer in QBO:
  – Customer: If only going to work with that customer once
  – Sub-Customer:
  – Project:
• Can include attachments when sending invoices
• When setting up sub-customers, make sure to choose either:
  – Bill with parent: Invoices will be with parent customer information
  – Bill this customer: Invoices will be billed with this customer information
Managing vendors

- Use vendors for all **Cost of Goods Sold** and **Expense** accounts
- Track payments for Vendor 1099s
- Attach W9s and Insurance Certificates to their vendor file in QBO
- Setup vendor banking rules and add customer when transaction occurs
- Producing 1099s is only available in QuickBooks Online Plus
Construction Software for QuickBooks Online

Knowify
- Subcontractors
- Produces AIA forms from QBO
- AIA forms available
- Mobile App

CoConstruct
- Home Builders and Remodelers
- Sends estimates to QBO and A/R is done in QBO
- Reads information from QuickBooks
- Charges per project not users

RedTeam Software
- Commercial General Contractors
- Produces AIA forms
- Produces WIP schedule
- Fees information into QuickBooks
- Charges per user not projects

IMPORTANT TIP: You get a lot more construction functionality with 3rd party construction software
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