

Tie your Month End Summary of Contracts to your Income Statement

The year to date “Total Direct Costs” on your Income Statement should tie to your Total Costs to Date on your Summary of Contracts.

The year to date “Total Revenue” on your Income Statement should tie to your Total Costs Plus Gross Profit on your Summary of Contracts.

Summary of Contracts Tie Out Issues

The processes will help you identify your discrepancies. Implementing the proper solution will depend on the situation. The scope of this document does not address the considerations that need to be addressed if the issue existed at the end of your prior fiscal year end.

I. Print or obtain the following reports:

1. Obtain a copy of your year end CPA prepared summary of contracts. (sometimes referred to as Work in Process, or Over/Under Billings)
2. Summary of Contracts as of your cut-off date:
Job Cost | 9. Summary of Contract Reports | 1. Summary of Contracts
3. Direct Costs and Burdens Report from the prior years end through the cut-off date:
Job Cost | 2. Job Cost Reports | 1. Print Direct Costs and Burdens.
4. Payroll Accrual Report as of the end of your prior fiscal years end and also as of your cut-off date.
G/L | 7. Print Analysis Reports | 3. Print Payroll Accrual

5. Print Direct Non-Job Exceptions from the end of your prior fiscal years end and also as of your cut-off date.
6. Print SOC Prior Year Amounts as of the cut-off date.
Job Cost | 9. Summary of Contract Reports | 3. SOC Prior Year Amounts

II. Verify that you have properly identified your carry-over jobs and prior year gross profit recognized on your Summary of Contracts.

You must use your finalized year-end Summary of Contracts to specifically identify which jobs are going to be treated as carry-over jobs, and the gross profit that will be recognized on each carry over job as of your year-end. If you do not have a job schedule provided as supplemental financial information in the back of your financials statements, you must obtain the specific schedule that was used to post your years end over/under billings.

Identifying a Job as a Carry-Over Job:

The “Entry 1” tab of the job notebook contains a field that provides for users to identify carry-over jobs.

Under: Job Cost | Job List, double click on a job that will be treated as a carry-over jobs, and populate the “Prior Year End” date field with the date of the fiscal year end. By placing a fiscal year end date in this field, Toolbox knows that you want to treat the job as a carry-over job. Note: Toolbox will place a date equal to the date the job is created when a job is created. Toolbox will ignore this date unless it equals the prior fiscal year end date. Toolbox knows what your fiscal year end is because you identify it under Utilities | Preferences | G/L | Year Ends Last Day of.

Identifying the Gross Profit on Carry-Over Jobs:

The “Entry 1” tab of the job notebook contains a field that provides for users to identify the gross profit recognized on a job through the prior fiscal year end.

Under: Job Cost | Job List, double click on a job that will be treated as a carry over jobs, and populate the “Gross Profit Recognized” field with the gross profit recognized through the end fiscal year.

Tie your “Less Prior Year Amounts” at the bottom of the summary of contracts to your prior years end summary of contacts.

The “Uncompleted Jobs” totals on the prior years end summary of contacts should agree to the “Less Prior Year Amounts” at the bottom of the month end summary of contracts.

	<u>Total Prior Year End Uncompleted Jobs</u>	<u>Current Month End Less Prior Year Amount</u>
	<u>Difference</u>	
Costs to Date	_____	_____

Gross Profit Recognized	_____	_____

Costs Plus Gross Profit	_____	_____

Billings to Date	_____	_____

If there is a difference above, use the “SOC Prior Year Amounts” report to compare prior year amounts with the amounts on your prior years summary of contracts.

III. Verify no paychecks modified subsequent to the last time you posted accrued wages.

Review the two accrued wages reports that you printed.

Accrued wages are wages with timecard work dates up through your cut-off date that were paid subsequent to your cut-off date. (i.e. the work date on the timecard is 1/31, and the paycheck is dated 2/2.) The Payroll Accrual Report will itemize the payroll should have been accrued, and it will print the journal entry that was posted through Toolbox’s automated “Accrue Wages” process.

Utilities | Accrue Wages

Compare the recap of what should have been accrued with what was actually accrued. If any payroll accrual related paychecks were modified subsequent to accruing payroll, you will have a difference.

If your accrued wages report as of cut-off date does not agree to the recap of the payroll accrual journal entry, then re-accrue wages as of your cut-off date.

Do the same process for the accrued wages at the end of the prior fiscal year end, as well as the accrued wages at the end of your cut-off period.

If your accrued wages report as of your prior fiscal year end does not agree to the recap of the payroll accrual journal entry, you will probably need to come up with a solution other than re-accruing wages as of your prior fiscal year end. If you are unsure as to the correct solution, consult your CPA.

IV. Direct Non-Job Exception

This report identifies entries posted to the “Direct Non-Job” type GL accounts. Toolbox is designed to use these accounts for direct payroll burden. If a user posts entries to these accounts outside of the automated processes provided within toolbox, you will effectively take your job costs out of balance with your general ledger.

Print this report, and move or modify then entries that show up on the report so that the entries are posted into an account type other than a “Direct Non-Job” general ledger account.

V. Gross Profit Recognized Options

On a job by job basis, users are able to manipulate the gross profit for jobs. Toolbox provides for several methods.

On the entry one tab of the job notebook, users are able to check the checkbox labeled “Override SOC Computations.” After checking this box, users can force a gross margin (percentage of revenue). Alternatively, users can click the diamond next to “Calc Contract Amount to Cost Plus Markup.”

If users maintain their Job Status grids for jobs, users can use the projections from these grids to determine the profitability on a job. Simple select “Status” under

the budget method selection when printing the Summary of Contract and/or accruing over/under billings.

If users do not use the Job Status grids, the system will use the higher of the job's budget or the total costs that has been put into the system ("Recalculate" budget method) for the total estimate cost. The system will use the total of the job's schedule of values or the total billings that have been put into the system for the contract amount.

Note: If you choose to "Override SOC Computations" for a given job, the system will ignore the budget and the job status grid for that job.

Also note: If the job has been closed with a close date subsequent to the cut off date of your report, the system will use the total costs in the system for the total estimated costs and the total billings in the system for the

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