



## *Job Costing*

Job costing impacts your company's profit. Since your overall numbers are comprised of individual jobs or products, job costing can quickly change a company's bottom line. Many companies discover that 25% to 30% of what is built or manufactured leaches from more profitable jobs or products. Thus, business profitability unintentionally decreases.

Within human anatomy, cancer also functions as a leach. A cancer diagnosis prompts us to make every effort to intercept cancer cells from draining life and energy from healthy cells so as not to jeopardize the health of the individual.

When "leaching" happens in a business, we get the same results. We may discover jobs and products that undermine the health of the business. However, we tend to think that if we are busy, we are okay.

Although we may have jobs booked for the next six months, if those jobs are not priced correctly, those six months of work may be hurting us more than helping us.

**How do I know if I am pricing a job or product adequately?** Subtract all the raw materials, supplies, cost of labor, and any other direct costs you may have had for that job or product. Next, apply the rest of the overhead of your business correctly. It is common to find errors in this step when people attempt to calculate job costing with their accounting software. Although QuickBooks is a reputable software, most times it does not calculate job cost with all known expenses. This is because of overhead items on the balance sheet that need to be included in the job costing.

Once you have applied all these costs to your job or product, ask yourself if you are happy with the profit. If yes, you know that you have structured your pricing correctly.

—Ken Nisly

*Ken Nisly lives in Due West, South Carolina, and works as a Business Advisor for Gehman Accounting from his home office.*

## Testimonial:

*“At first, I was hesitant letting people see my numbers and having a two-hour meeting every month. I thought we were doing okay, but as it turns out, we really weren’t. Seeing the graphs and other visuals in their analytics report really brought it home that we were not covering our costs. Now I know exactly where my business stands. Since we now know our real costs, our numbers have definitely improved.”*

—Ervin Hoover,  
Twin Valley Farm Service





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