

## Best-in-Class Bookkeeping for Construction Business Owners

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A construction business whose structures collapse is doomed to failure. This is why blueprints are drawn and foundations must be solid. A construction business that fails to keep its books is equally at risk of failure. If a construction business fails to track income and expenses, materials can't be ordered,



transactions and the techniques used to record them. Whether building garages or skyscrapers, the key components of bookkeeping are always the same:

**Recording of transactions:** It's essential to know your income (payment for work completed and work in progress) and your expenses (costs of materials and labor and payment for them). Without this, decisions about the timing of work on a specific project or planning for the future of the business cannot be made reliably.

**Categorization:** Business income and expenses should be classified by where money is coming from or going to. This

enables a comprehensive view of the business and helps identify any problems before they happen. For example:

- » (Income) sales revenue, \$240,000 (money came from a customer per contract)
- » (Expense) crane rental, \$15,000 (money went to the machinery rental expense account)

**Monthly Review:** This is the process of matching the transactions entered into the records with the matching bank or credit card statements and should be done at the end of every month. (This is also known as Reconciliation.)

Because bookkeeping keeps financial records up to date, you can create accurate financial reports—such as profit-and-loss statements, cash-flow statements, balance sheets, and transaction reports—that measure your firm's performance. Bookkeeping data enables the accounting function. Accounting is the analysis of a company's books and using that data to evaluate the condition of the business.

Accounting also includes filing tax returns, which are based on business income less its reasonable and ordinary expenses. (Note that this IRS definition doesn't specify which deductions are acceptable and which ones aren't.) In addition to filing federal taxes annually, other related taxes to be aware of are quarterly estimated taxes and payment of payroll taxes on behalf of business employees. When expenses are recorded with precision, it's easier to pay the proper amount. And, without receipts to verify costs, those costs cannot be deducted.

Beyond providing the data for tax accounting, efficient

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insights into top expenses and budget variations that can help maximize cash flow or enable business growth.

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## Constructing A Plan For Bookkeeping

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In a business where the principals need to spend time in the field or prospecting, bookkeeping can seem like more of a chore than a marker of the mileposts of success. Best practices can make bookkeeping less of a burden. Even with financial management software, it's necessary to adhere to a few simple rules:

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