

Don't Let Your Business Rob You

How to protect margin and project profit accurately

If there is one struggle that I consistently hear from builders, it is how to control margins. Too many builders start a job with what they think is a solid budget, only to have surprises and overages slowly start to bleed that profit away. Not only that, but sometimes company overhead can sneak up on you. The combination of decreased margin on jobs, along with increased expenses can drop your profitability to almost nothing.

Don't let this be you anymore! Take the proven steps that will guarantee you better margin control of your individual jobs, along with controlled company costs and ultimately much improved net profit margins at the end of the year.

This doesn't have to be a continual struggle in your business. With the implementation of these tools year over year, you will see growing cash and equity in your company, opening up more and more doors for growth and progression.

2 Keys to Maximize Profitability

**Control
Job
Costs**

PURCHASE ORDER SYSTEM

**Control
Company
Costs**

ANNUAL COMPANY BUDGET



Purchase Order System

A Purchase Order System is a series of documented processes, pricing catalogs, procedures and software to accurately control costs on your job.

Through a successful purchase order system you can shift the financial control of the job away from subcontractors and suppliers and gain control in-house.

You will gain simplicity, predictability and profitability for both yourself as the builder, as well as for your trade partners by committing fully to a consistent purchase order system.

- ✓ Define your vision
- ✓ Build a team
- ✓ Commit fully
- ✓ Find a network
- ✓ Choose a platform
- ✓ Train, train, train

Annual Company Budget

An Annual Company Budget is a detailed summary, in advance, of all projected income versus all projected expenses to run your business. It is a tool that will help determine overall net profitability for a company.

This budget should be prepared in the 4th quarter of a current year for the following year's projections. Then it should be used as an ACTIVE TOOL, not a historical tool, to measure progress toward reaching those goals.

A formal quarterly review of the budget, along with necessary adjustments, is key to maximizing the effectiveness of this tool toward increased profitability.

- ✓ Align with NAHB Chart of Accounts
- ✓ Expense projections
- ✓ Income projections - Maintain job list
- ✓ Document and train
- ✓ Quarterly reviews
- ✓ Make adjustments

Profit Control

A few questions to consider:

What is your current method for job cost control? Do you measure margin slippage from original budget to final budget? What percentage slippage do you have?

Building a Purchase Order system on your own is a large undertaking! What people, companies, softwares, systems can you engage with to effectively build your system? What is your timeline for beginning and completing a new system?

What specific goals do you hope to accomplish through the implementation of a new purchase order system in your company?



Have you effectively built and consistently used an annual company budget to improve net profitability for your company? How will you effectively use this tool to improve profitability? By what percentage can you improve?

Historical data can prove helpful to predict and plan for future success. Review the previous two years data: What was your gross profit margin percentage? What was your total overhead (expenses) as a percentage of total revenue? What was your net profit percentage?

Set a date to have your first Annual Company Budget completed. Set a recurring calendar event with your accounting team to review budget and make adjustments.



Accounting Practices

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- NOTES -

