



Top Job Costing Practices That **Mining Businesses** Should Follow

E B O O K



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Introduction

As you already know that accounting is the most integral part of running a profitable mining business. However, managing your business finances accurately doesn't always come automatically—especially if you're not from this background. Moreover, owners in the mining industry encounter unique challenges compared to other types of businesses.

Running a mining business successfully means managing several responsibilities efficiently, but job costing is one of the most critical aspects. We can consider job costing as planning for your grocery shopping for Christmas. Because on such occasions, you want to buy just the right amounts of everything without breaking the bank. And as you plan for the most joyous holiday dinner, similarly when done efficiently, job costing can ensure your mining business is thriving while minimizing the surprises.

So you need to keep in mind that managing your mining business smartly requires a robust job costing plan. And if you do not have a plan in place, you're actually running the business with a blindfold around the eyes—one wrong step could create disaster. With job costing, contractors can actually see how they're doing on projects, whether in a team or individually.

This real-time insight doesn't seem magical; it needs hard work, commitment, and consistency. Contractors with an effective plan in place can gain an edge over their competitors without any hassle.

If we consider America, this developed country major thrives on the entrepreneurial spirit of its citizens. Unfortunately, half of all businesses fail to survive after five years. Mining companies have it even worse. Only 36.4% reach the fifth year of business.

One of the biggest reasons is the incapability to protect their profits. To accurately track and sustain project profitability, the company must executive an efficient job costing system for the mining business.



What is Job Costing?

Job costing is also term project-based accounting. It is a process of tracking costs and revenue for a particular job. Job costing helps to break down materials, labor costs, and overhead to overview every phase of the project in detail. It is the best choice for mining businesses because of its ability to make lesser assumptions than other costing methods.

To put it in simple terms, job costing is a process of monitoring expenses in which a business only develops products to fill customer or client orders. As a mining business owner, you need to make that your team always updates their job order cost sheets for each project. For which, you need to separate the expenses into three categories:

- Direct labor
- Overhead
- Direct material

Undoubtedly, a wide range of mining products makes the tracking of expenses complicated, but you can use job-order costing to eliminate these complexities.

This method is the best tool for tracking the costs of particular mining jobs and analyzing if future jobs can help in cost reduction. Another use of this method is to see if any excess charges incurred can be added to the customer's bill.

To give clarity on job costing, for instance, it is generally predicted to run for a long time, the cost accountant will annually compare the accumulated cost stored within the budget, and alerts the management in advance if there are possibilities of cost exceeding expectations. This gives managers ample time to control the cost of the rest of the project or may get in touch with the customer to increase the bill to make up for some or all of the cost overheads.

Each job is a project that has its separate needs:

- No job is similar. Each job will have to be completed in a different way.
- Changes based on client needs or requirements.
- The difference in work in progress exists in every project.



Setting Up a Costing System

Before you move ahead with setting up a robust job costing practice, make sure that direct costs are separated from indirect, or overhead costs.

When it comes to separating overhead costs for mining products, miners face a hard time analyzing these costs. It is impossible to trace overhead costs directly for mining products, which makes overhead tougher to manage and track such as insurance premiums, utility cost and more.

On the other hand, direct costs can be traced to specific products or services easily. In the case of mining companies, if you deplete coal, you can calculate the amount of coal you need to deplete and add it to the direct materials and the direct labor costs it takes to run the machines. This is why labor and material costs are considered direct costs.

Smart Tips to Improve Job Costing

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•Check cost codes

Mining organizations track expenditures differently. You may consider operating with a handful of cost codes to make things as effortless as possible for monitoring purposes.

Besides, some mining companies may have hundreds of cost codes to track jobs assigned with more fine detail. Doing what makes the most sense for your business and the various departments is paramount.

• Implement an intelligent time tracking solution

We already know that maintaining paper registers leads to manual and duplicate data entry inefficiencies. This means you have access to inaccurate information and enter the same into your payment system. The increasing popularity of portable devices and applications provides new capabilities for automating time tracking. With the time tracking solutions, employees can enter their time from their devices easily.

Mining project managers and business owners no longer have to wait for paper registers for manual entries and process payroll to see how labor progresses on a project. They get real-time labor data when scanning projects daily.



• Possess change orders

Change orders manage to throw project budgets off route. Job costing and cost code best approaches still apply. Describing the additional material and labor costs on change orders can assist you in understanding the effect they will have on the budget.

Materials and labor costs on change orders involve project profitability, so tracking them closely will provide tremendous insight into overall project health.

• Inspect projects and reports regularly

The most alarming time to see that a project goes in the right direction is after the work is finished. Whether daily, weekly, or monthly, inspecting job costing reports permits you to make adjustments and faster decisions.

Illustrated job costing reports consists of the comparison of budgets and actuals, labor productivity reports, cost code overview reports, and cost-to-complete. When expenditures in one cost code rise higher than expected, you can look for new ways to increase other aspects, ensuring the overall project profitability.



• Track billings

Numerous mining companies execute job costing with great ease and bill customers on their typical projects very smartly. Cash flow is the core of any business. This is particularly true in mining, where considerable expenses are paid in advance of obtaining payment from the customer. Companies must scan their billings closely to ensure payment is received for finished work.

• Don't ignore overhead and indirect costs

While specific costs are not billable, there still must be a technique to account for those job costs. Mining companies' overhead and indirect expenses usually have travel, administrative, or equipment costs.

Tracking these expenses empowers mining companies to decide how much they should add to an overall bid. When proposing bids based on direct costs alone, a business runs into the risk of not having sufficient cash to cover overhead expenses and direct costs.

• Pay attention to labor

It's no mystery that there are many costs associated with mining projects, but no expense is more significant to keep track of than labor. Labor is the biggest project cost and the most arduous cost to predict.

So when it comes to job costing for labor, start by calculating how much it costs to have each direct employee on the job per day. Once that is worked out, multiply it by the desired project duration.

• Be the owner of your project

Miners may need a subcontractor or partner on the part of the project; they will probably do their estimates and calculations for their role. Even if the partner is a reliable source, there's no harm in doing your own calculations and ensuring there are no errors in their work.

During your project, the last thing you want to encounter is taking on an unplanned budget deficit because you didn't check someone else's work. Constantly double-check plans before the actual work begins, mainly if it is your first time working with the firm.



Top Job Costing Practices for Mining Businesses

Step 1: Choose How Job Costing Can Benefit the Company

Job costing can influence mining contractors at multiple stages. Whether contractors are looking to address existing businesses nicely, extend into new projects, or take current practices to the next level, the profits are considerable.

Initially, stay calm and invest time understanding what job costing is and how managing it effectively can improve business.

Discuss with other mining contractors and consult with a CPA firm specializing in the mining industry. Decide what role job costing would have in your business. Would it assist in seeing a more thorough breakdown of costs? Could your organization submit more precise bids using historical data?

Working through this discovery phase will help define the potential advantages of job costing, such as:

- Get the ability to track actual costs against complex job budgets
- Store historical data for precise future bidding
- Get the ability to observe job statuses at a high level
- More convenient and accurate reporting
- Get the chance to be visionary by making immediate changes based on existing data
- Gain facts of precisely where costs incurred

Once mining contractors determine the advantages they gain, set objectives for their job costing, and commit so that the work of implementation can start.

Step 2: Determine a Pragmatic Approach That Works for the Company's Goals

Because job costing is unique for every mining company out there, it's vital to start an open dialog among the people who will be inquisitive in the process. Execution team members should consist of the owner, senior-level estimators, supervisors, project managers, and the accounting staff.

During the initial meeting, the team should set what goals the business wants to accomplish by job costing and specify a realistic approach with the best chance of thriving. So running first into an intricate structure becomes too challenging to pursue. If a company has never done job costing should, first, using a basic design for expanding on the team gets easier. The job cost practice can be hard to set up in a day, and the task can be done without buy-in from all business levels.

Additionally, gathering input from the team, continue to consult external resources, including industry experts and depleted products.

To begin a constructive conversation among the team when brainstorming goals for job costing, ask queries such as the following:

- What are some of the prior activities conducted on jobs?
- What data does the accounting staff want to follow?
- What types of reports are required?
- What kind of fact does management want to see?

The ultimate part of this stage will be to plan a rollout for the workers. How will employees be familiarized with the new system? Who will be accountable for achieving the tasks? The data that occurs on your reports will only be as useful as your data entry. To ensure that people stay committed, management should follow up by completing weekly to evaluate the implementation and the quality of their data.

Step 3: Execute the Plan and Deliver Results

The last step implicates determining a “conveyance” for performing the job-costing system. Again, the most suitable solution will not be similar for each company. This may depend on factors such as the size and specialization of your mining business.

Companies will also prefer to consider different goals for their technology, whether project-management tools are of importance, whether software as a service (SaaS) is the preferred offering and whether integration with other software is critical.

In most cases, mining-specific accounting software is advisable and recommended for general-purpose accounting, such as ProjectPro.

For mining companies that already have accounting software in place but have not yet completely utilized their job-costing capabilities, now is the time to get in touch with a trusted software vendor to analyze these options.

ProjectPro has a team of experts that will take the time to help you understand these goals and provide the training essential to help implement the plan. Also, they may offer a guided tour of the platform to help you make the most out of its capabilities. ProjectPro ensures that things are more accessible for on-site as well as workers to submit accurate and up-to-date data.

Executing a job-costing structure is a major decision requiring hard work and diligence. But setting the right strategies in order the correct way is one of the most beneficial decisions any construction business owner can make to provide the company’s financial health today and into the future.

Conclusion

Job costing is an integral practice for mining business owners. But having a manual job costing process is time-consuming and leaves a room full of errors.

Fortunately, accounting software like ProjectPro for mining contractors can simplify the process for you. ProjectPro understands your bookkeeping processes and handles your day-to-day accounts, billing, expenses, and invoices by incorporating automation and streamlining workflow.

When it comes to job costing, ProjectPro provides insight into calculated costs and actual costs so you can notice how a job is advancing.

Let us help you concentrate on managing your projects without the hassle of repetitive administrative tasks!

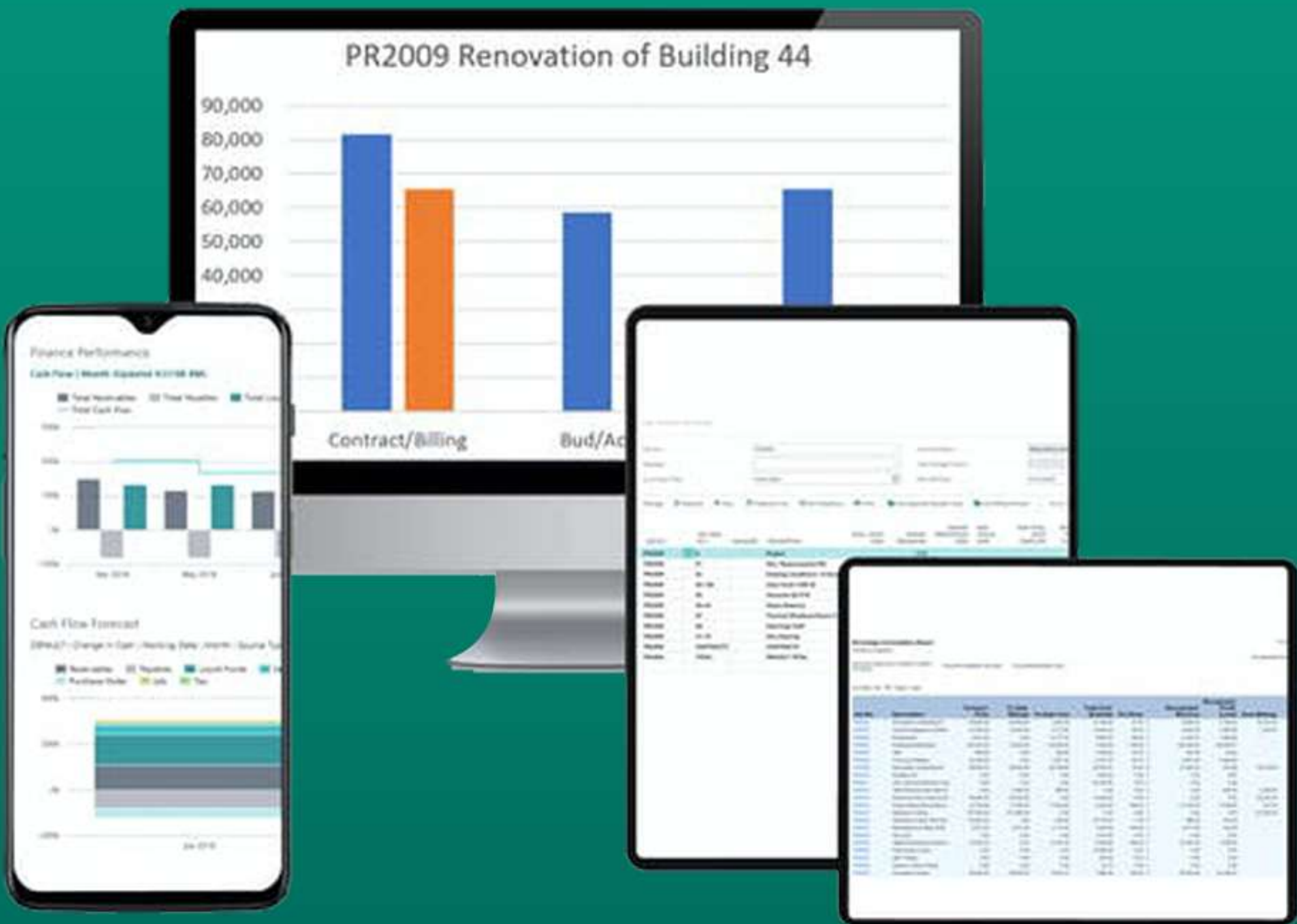
About ProjectPro

ProjectPro is a division of Netsmartz LLC global group of companies. ProjectPro is specifically designed for construction firms and powered by Microsoft Dynamics 365 Business Central to make sure you get the most out of your business software.

Stand out of the league by streamlining your business processes, controlling costs, and offering timely and accurate information. ProjectPro holds the potential to integrate your crucial job quoting, project accounting, resource management for labor and equipment, and much more all in a single database.

With integrated data, intelligent transaction processing, and robust analytical and reporting capabilities, you can reduce the time and effort it takes to access meaningful information necessary to make good business decisions.

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