Construction Job Costing Quick-Start Guide

QuickBooks Online for Contractors | Parkins Financial LLC

Job costing is one of the most common areas where construction companies lose visibility on profitability. This guide covers how to structure jobs, cost codes, and classes inside QuickBooks Online so that every project tells you what it actually cost — and what it actually made. Follow each step in order to build a job costing system that works from the first transaction forward.

BEFORE YOU BEGIN: QuickBooks Online Plus or Advanced (Projects feature required) • Admin or accountant-level access • A list o

STEP 1 Enable Projects and Class Tracking in QBO

Job costing in QuickBooks Online requires two features to be active: Projects and Class Tracking. Neither is on by default. Enable both before setting up any jobs or cost codes.

Setting to Enable	Where to Find It
Projects	Settings → Account and Settings → Advanced → Projects → Turn on
Class Tracking	Settings → Account and Settings → Advanced → Categories → Track classes
Assign classes to each row (not header)	Same panel — select "One to each row in transaction"
Customer / Project billing	Settings → Account and Settings → Advanced → Time tracking (if billing time)

Why Both Features Are Required

Projects track revenue and costs at the job level. Class tracking adds a second layer — typically used for cost type (Labor, Materials, Subcontractors, Equipment, Overhead). Together, they let you see not just what a job cost, but where it went.

STEP 2 Structure Your Jobs as QBO Projects

Each job gets its own Project inside QBO, linked to the Customer record. Use a consistent naming convention from the start — it will determine how your job cost reports sort and display.

- Name each project with the job number first, then the client name: e.g., "2024-014 — Rivera Residence"
- Create a new Customer record if the client is new, then add the job as a Project under that customer.
- Do not use one project for multiple jobs — each contract or job site gets its own Project.
- Set an estimated revenue amount on the Project if you have a contract value. QBO will track actuals against it.
- Archive completed projects rather than deleting them — historical job cost data stays intact.

STEP 3 Set Up Cost Codes Using Classes

Cost codes tell you where money went within a job. In QBO, classes are the cleanest way to replicate cost code structure without third-party software. Build your class list to match how your field operations actually break down.

Cost Code (Class Name)	What It Captures
Labor — Direct	Wages and burden for employees working on the job site
Labor — Supervision	Foreman and project manager time allocated to this job
Materials	All job-specific material purchases and supply costs
Subcontractors	Payments to subs and specialty trades billed to this job
Equipment	Owned equipment allocation or rented equipment costs
Permits & Fees	Building permits, inspections, and municipal filing fees
Overhead — Allocated	Portion of company overhead distributed to this project

Keep Your Class List Short and Consistent

Resist the urge to create a class for every possible cost type. Five to eight classes covers the vast majority of construction cost structures. More classes mean more room for miscoding in the field. Review and lock your class list before entering the first transaction on any job.

STEP 4 Assign Costs to Every Job Transaction

Job cost data is only as accurate as what gets coded to the job. Every transaction that belongs to a job must have both a Project and a Class assigned. Missing either one creates gaps in your job cost report.

- Bills and expenses: assign the Project and Class on every line item, not just the header.
- Checks and credit card charges: same rule — Project and Class on each line.
- Payroll: if using QBO Payroll, assign each employee's hours to a Project and Class in the pay run.
- If using an external payroll provider, create a weekly or biweekly journal entry allocating labor costs by job.
- Time entries (if billing time): log time under the correct Project so it flows into the job cost report automatically.
- Do not leave the Class field blank on any transaction coded to a job — unclassed costs fall off the cost report.

The Most Common Job Costing Error

Entering a bill or expense and forgetting to assign the Project. The cost hits the P&L correctly but disappears from the job cost report entirely. Set a weekly review habit: run the Project Profitability report and look for any project with costs that seem low relative to actual activity. That gap is almost always uncoded transactions.

STEP 5 Capture Job Revenue the Right Way

Revenue recognition in construction can be tricky — progress billing, retainage, and change orders all need to land on the right job without distorting your P&L. Use these rules from the start to avoid a cleanup problem later.

- Create invoices under the Customer — Project record so revenue is automatically tied to the job.
- Use a dedicated income account for construction revenue (e.g., "Contract Revenue — Construction").
- Record retainage held by the client as an Accounts Receivable line on the invoice, not as income.
- Change orders get their own invoice line or a separate invoice — never edit the original contract invoice.
- Progress billing (AIA format): create one invoice per billing period with line items matching the schedule of values.
- Do not record a customer deposit as income — post it to a liability account (Deferred Revenue or Customer Deposits).

STEP 6 Run and Read Your Job Cost Reports

Once transactions are flowing into projects correctly, QBO produces three reports that give you the full picture of job performance. Run these at least monthly for every active job.

Report Name	What It Shows	Where to Find It
Project Profitability	Revenue vs. costs for each job, net profit	Reports → Projects
Time Cost by Employee or Vendor	Labor and sub costs broken down by job	Reports → Projects
Uninvoiced Time and Expenses	Costs logged to a job that haven't been billed yet	Reports → Projects
Transaction Detail by Class	Every transaction per cost code across jobs	Reports → Custom

Three Signs Your Job Costing Needs a Reset

1. Your Project Profitability report shows jobs with zero costs or zero revenue — transactions are not being assigned.

2. Your overall P&L profit looks different from what your job reports show — unassigned costs are hiding on the P&L.

3. One class (usually Uncategorized or blank) holds a large dollar amount — cost codes are being skipped.

Quick Reference: Job Costing Checklist for Every New Job

- [ ] Create a Customer record (if new client)
- [ ] Add a Project under that Customer with the job name and number
- [ ] Enter the contract value as estimated revenue on the Project
- [ ] Confirm all Classes (cost codes) are active in your class list
- [ ] Assign Project + Class to every bill, check, and expense from day one
- [ ] Set up payroll journal entries or time entries for labor allocation
- [ ] Invoice under the Customer — Project record for each billing period