

Volume 2
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User Group Seminar

Register now for the **Techware 2008 User Group Seminar on Tuesday, April 22, 2008 at the Park Plaza Hotel Bloomington.** Highlights include a State of the Union from Sage, demos, workshops, Q & A, and some free gifts! Breakfast and lunch included. Stay tuned for a more detailed agenda. It's an opportunity to hear from the experts and mingle with other Master Builder users. We would love to meet you. Go to our web site and print a registration form: www.techwaremn.com

NEW! Classroom Training For Master Builder Users

- ▶ Tips & Tricks—March 27
- ▶ Basic Report Writing—May 1
- ▶ Advanced Report Writing—May 8
- ▶ Accounts Receivable—June 5

Be sure to register if you would like to take any of these classes.

www.techwaremn.com/training_schedule.html

Measuring Your Financial Fitness

Many small contractors neglect to take the time to develop a financial plan and routinely measure the company's performance against that plan. By frequently reviewing the financial health of your business, you're able to spot trends, both positive and negative, that can influence the success of your company.

Industry-standard calculations can give you a picture of your company's financial fitness in the form of ratios. Let's take a look at how some key ratios are calculated, what each ratio can tell you about your business, and then how you can use your Sage Master Builder software to graphically present many of these indicators.



Measuring your company's performance against industry-standard benchmarks helps keep your business on track.

Solvency Ratios

Current Ratio—Current Assets divided by Current Liabilities. This indicates liquid assets available to cover current debt.

Quick Ratio—Cash plus Accounts Receivable, divided by Current Liabilities. This is a more stringent version of the Current Ratio.

Leverage Ratios

Equity Ratio—Net Income divided by Owner's Equity. The higher the ratio, the more willing investors would be to invest in the company.

Debt Ratio—Total Debt divided by Total Assets. In general, the less the company relies on debt for asset formation, the less risk.

Debt to Equity Ratio—Total Liabilities divided by Total Equity. The smaller the ratio, the greater the long-term solvency.

Profitability Ratios

Gross Profit to Sales—Pre-tax Profit divided by Sales. A downward trend in this ratio might indicate you need to raise prices to remain profitable.

Net Income to Sales—After-tax Profits divided by Annual Sales. This key profit ratio indicates the company's profit as a percentage of sales.

Operating Expense to Sales—Accounts Payable divided by Annual Sales. Higher numbers indicate the

use of suppliers to float operations.

Return on Total Assets—Net Profit divided by Total Assets, is a key indicator of profitability.

Operational Efficiency Ratios

Accounts Receivable Turnover—Sales divided by Accounts Receivable. In general the higher the turnover ratio the better.

Inventory Turnover—Sales divided by Inventory. Higher ratio indicates lower carrying costs.

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SAGE TIMBERLINE OFFICE
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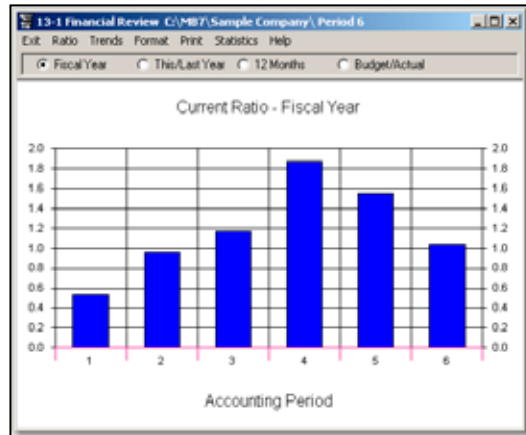
Measuring Your Financial Fitness CONTINUED

Financial Review Reveals The Facts

The Financial Review, a component of your Sage Master Builder software, can help track and report on your key ratios. Financial Review is a graphing tool that will show you trends and ratios for your company with a few mouse clicks.

Whether you would like to see a graph of your overhead rate month by month or a graph of your profit for the year to date—Financial Review makes it simple and quick.

Among the many graphs available are: Current Ratio, Quick Ratio, Gross Profit/Sales, Net Profit/Sales, and Overhead to Direct Expense.



Sage Master Builder has the tools to help you measure your company's financial fitness.

In addition, trend graphs are available for Cash, Accounts Receivable, Accounts Payable, Sales, Gross Profit, Net Profit, Break Even, Overhead to Direct, Debt to Worth, and Working Capital. All of these can be viewed or printed as line, bar, or 3D bar charts for the current fiscal year, 12 months, or 12 rolling months.

If you're not sure what the standard or benchmark ratios are for your industry, they can be found on the Internet or in relevant trade publications.

Please give us a call with any questions you may have. ☆

Does Your Company Need Construction-Specific Software?

When your business began, you may have purchased general business accounting software to help manage your accounting and financial reporting tasks. As you've grown, you may be finding that the software that once served you well is now falling short—forcing you to find a workaround or create yet another spreadsheet to track the details of your company's projects. How do you know when it's time to make the change to a construction-specific accounting software package such as Sage Master Builder? Here we've assembled a few points to help you determine if the time is right.

Nail Down Costs

You probably know if you're losing money on a job. But do you know if you are losing money on subcontractors, materials, or labor? Do you know what phase of the project is over budget? One of the biggest benefits of switching to construction accounting software like Sage Master Builder is that it provides integrated job costing and reporting. Rather than simply recording invoices and payments, Sage Master Builder will provide a detailed cost breakdown for each job and for each component of the job.

By starting each job with a budget, and

then comparing your actual costs to budgeted costs throughout the life of the project, you're able to identify and address labor or material cost overruns that can affect the profitability of your job. Plus you can use the data you collect from past jobs to ensure the accuracy of future estimates.

Speaks Your Language

Construction accounting software packages, such as Sage Master Builder, incorporate industry-standard cost codes into their database. For example, with a CSI listing built into your accounting system, you can easily assign the correct codes to purchase orders and invoices. As a result, all costs will be allocated to the right categories for accurate billing and accounting.

Ensure Insurance Compliance

Risk Management is one of the most important issues in the construction industry today. It's your responsibility to verify that your subcontractors carry the required type and level of insurance. As you grow and manage more and more subcontractors, this task grows in complexity. Tracking this compliance is an inherent feature in most construction accounting software packages, including Sage Master Builder.

Job-Level Reports

General business accounting software does a great job of answering general accounting questions, but chances are it is not delivering the detailed job-level reports that answer your job-related questions. Sage Master Builder, an integrated construction-specific accounting solution, provides powerful reporting tools. These tools allow you to uncover the answers questions such as: How many hours and dollars have we spent so far? How does spending match to the budget? What is our cost to complete?

Tame Complex Payroll

Construction payroll can be complex and requires you to track details and generate reports that may be out of the realm of general purpose accounting software packages. If you have prevailing wage requirements or union reporting demands, it's time to consider a construction-specific accounting solution that gives you the functionality to tame this otherwise burdensome task.

We'd be pleased to discuss your company's requirements to see if Sage Master Builder is a good fit for you, just give us a call. ☆