Residential Contractor Financial Audit

A Self-Assessment to Help You Find Hidden Profit and Take Control of Your Numbers

Know Your Numbers
Build Your Profit

A Self-Assessment to Help Residential Contractors Find Hidden Profit and Take Control of Their Numbers

Know Your Numbers. Build Your Profit.

Table of Contents

Welcome

Running a successful residential contracting business requires more than winning bids and completing quality work.

It requires reliable financial information.

Many contractors believe they're making money because work is steady.
Unfortunately,

- inaccurate bookkeeping,
- poor job costing, and
- inconsistent financial reporting

often hide problems until cash flow becomes tight or tax time arrives.

The Contractor Financial Audit was created to help you identify strengths and weaknesses in your accounting system before they become expensive problems.

Answer each question honestly. At the end, you'll have a clear picture of where your business stands and where improvements can have the greatest impact.

Why Most Contractors Don't Know Their True Profit

Most contractors aren't losing money because they don't work hard.

They're losing money because their financial systems don't accurately measure profitability.

Common issues include:

- QuickBooks wasn't set up for construction.
- Labor isn't assigned to jobs correctly.
- Materials and subcontractors aren't tracked consistently and/or not assigned to jobs.
- Overhead and direct job costs are mixed together.
- Financial reports don't reflect actual job performance.
- Change orders aren't monitored.
- Decisions are made using incomplete information.

The good news is that all of these problems can be corrected with the right financial structure.

The Seven Areas of Financial Health

This audit evaluates these seven areas:

1. QuickBooks Setup
Is your accounting system designed specifically for residential contractors?

2. Job Costing
Can you accurately determine the costs and profit on every project?

3. Chart of Accounts
Are your income, cost of goods sold, and overhead accounts organized correctly?

4. Financial Reporting
Do you understand and trust your monthly financial statements?

5. Cash Flow Management
Can you predict upcoming cash needs?

6. Payroll & Labor Tracking
Are labor costs allocated properly between jobs and overhead?

7. Profitability & Performance
Do your reports help you make better business decisions?

The Contractor Financial Audit

For each statement, score yourself:

- **10 points = Always**
- **5 points = Sometimes**
- **0 points = Rarely or Never**

Section 1 – QuickBooks Setup

_____ My QuickBooks Online file is configured specifically for a construction business.
_____ All bank and credit card accounts are reconciled monthly.
_____ My chart of accounts reflects how my business operates.
_____ I use jobs consistently.
_____ Customer and vendor records are accurate and up-to-date.
Score: ____ **/ 50**

Section 2 – Job Costing

_____ Every expense is assigned to the correct job.
_____ Labor is tracked by job.
_____ Materials are coded correctly and assigned to jobs.
_____ Subcontractor costs are assigned to jobs.
_____ I know the gross profit and costs on every job.
Score: ____ **/ 50**

The Contractor Financial Audit Cont'd.

Section 3 – Chart of Accounts

_____ Cost of Goods Sold is separated from overhead.
_____ Materials, subcontractors, and direct labor have separate accounts.
_____ Owner draws are recorded correctly.
_____ Equipment expenses are categorized consistently.
_____ Personal expenses are NOT recorded in the company's books.

Score: ____ **/ 50**

Section 4 – Financial Reporting

_____ I review my Profit & Loss every month.
_____ I understand my Balance Sheet.
_____ My reports are accurate.
_____ I can identify unusual trends quickly.
_____ My tax accountant receives clean financial records.

Score: ____ **/ 50**

Section 5 – Cash Flow

_____ I know how much cash I'll need over the next 60 days.
_____ I monitor accounts receivable.
_____ Customers pay according to agreed terms.
_____ Vendor bills are managed proactively.
_____ I rarely experience cash shortages.

Score: ____ **/ 50**

The Contractor Financial Audit Cont'd.

Section 6 – Payroll & Labor

_____ Payroll is processed accurately.

_____ Field labor is assigned to jobs.

_____ Office payroll is separated from direct labor.

_____ Payroll taxes are recorded correctly.

_____ Labor costs are included in job profitability.

Score: ____ **/ 50**

Section 7 – Profitability & Performance

_____ I know which jobs are the most profitable.

_____ I understand my gross profit percentage.

_____ I price jobs using reliable financial information.

_____ My financial reports support business decisions.

_____ I feel confident in my company's financial position.

Score: ____ **/ 50**

Scoring Your Results

Add up your points for each area.

Maximum score per area, 50 points.

1. **QuickBooks Setup** ________/50
2. **Job Costing** ________/50
3. **Chart of Accounts** ________/50
4. **Financial Reporting** ________/50
5. **Cash Flow** ________/50
6. **Payroll & Labor** ________/50
7. **Profitability & Performance** ________/50

TOTAL SCORE ________/ 350

What Your Score Means

280 - 350 Points
Excellent

Your accounting system provides a solid financial foundation. Continue refining your processes and monitoring profitability.

210 - 279 Points
Good, With Opportunities

Your books are generally in good shape, but targeted improvements could significantly increase clarity and profitability.

140 - 209 Points
Needs Attention

Several areas of your accounting system are limiting your ability to make informed decisions. A professional review is recommended.

0–139 Points
High Risk

Your bookkeeping and financial reporting likely need significant improvement. Inaccurate records can affect profitability, cash flow, and tax compliance.

Next Steps.

Knowing your score is only the beginning.

The next step is understanding why these issues exist and creating a plan to correct them.

That's exactly why I developed ***The Contractor Financial Blueprint*** —a four-phase system that helps residential contractors build reliable financial records, understand job profitability, and gain confidence in their business decisions.

The four phases are:

1. FOUNDATION

Build the right financial structure.

2. STABILIZE

Clean up and reconcile your books.

3. ALIGN

Validate job costing and profitability.

4. CONTROL

Maintain and understand accurate reporting and financial visibility.

About Eagle Eye Bookkeeping

Eagle Eye Bookkeeping specializes exclusively in bookkeeping and QuickBooks Online services for residential contractors nationwide.

Our mission is simple:

We believe Bookkeeping is only the beginning. Our mission is to empower residential contractors with

- accurate financial records,
- clear financial insight, and
- practical guidance

so they can understand their numbers, make confident decisions, improve profitability, and build stronger businesses.

Ready to Build Financial Clarity?

Schedule your complimentary ***Contractor Financial Blueprint Review*** to discuss your audit results and identify practical steps to strengthen your accounting system.

Call or email Bill Cutchin for personalized information:

Call: **850.694.2468**

Email: ***Bill@EagleEyeBookkeeping.biz***