

Resource consumption period is the length of time you are

using to measure the recovery rate—usually one year.

- Start Value represents the current street value.
- Ending Value represents an estimate of the equipment's worth at the end of the resource consumption period.
- Consumed value does not equal depreciation.

Estimated Use

- To determine estimated use look at previous equipment records spanning the same amount of time as the resource consumption period. Or calculate usage based on anticipated workload.
- Use only time actually used, ownership costs already include idle time.
- Do not include transport time as most job estimates include mobilization as a separate item
- The Ownership Rate is derived from the Value Consumed amount divided by the Estimated Use.

Costs of Ownership

These costs can relate to cost codes. If you set up costs codes to match these items, the spreadsheet will track each of these as expenses are incurred so that you can compare the actual costs for the consumption period to your estimated cost.

Where do you find these values?

Insurance—insurance policy or prior year info

Tax/License—prior year info

Inspections—prior year info

Storage—rental rate divided by value of equipment stored

Overhaul—cost of major repair work or use an average

Financing—amortization tables/Loan Manager

Cost of Capital—By investing in equipment you have given up the ability to earn money through other investments. Multiply the average equity in the equipment for the resource consumption period by the average yield you could get on a certificate of deposit.

- Costs of Ownership are calculated by the Resource Consumption period (start date and end date). In the case of this example, one year.
- The Value Consumed plus the Ownership Total divided by Estimated Use equals the Ownership Rate.
- The Costs of Operation are calculated by unit in the estimated use.

Costs of operation

- Enter the cost to operate on a per unit basis using historical

costs or manufacturers owner's manual rates.

- Include labor costs for fueling and maintenance but not the labor cost for operation

Cost Recovery Rate

The spreadsheet calculates the actual costs per hour for the cost recovery rate. The user needs to look at these rates to see if they seem appropriate, if not the user may need to adjust any of the numbers entered.

The user may then enter the same numbers in the cost recovery rate column at the bottom of the screen or may want to round the numbers off or round up or down depending on the actual rate the user wants costed to the jobs.

The user should review these cost recovery rates periodically. All of the numbers entered for ownership costs and costs of operation should be compared to the actual costs incurred to see if the estimated amounts are accurate.

These comparisons should be done quarterly, semi-annually or annually, but keep in mind that some of the costs do not occur on a regular basis such as major repairs insurance actual costs etc. so that comparisons may be off because of the timing differences.

Resource Consumption Values

Start Date	1/1/2015
End Date	12/31/2015
Start Value	100,025.00
Ending Value	80,000.00
Value Consumed	20,025.00

Estimated Use

Unit	1 Hour
Estimate Use	500

Costs of Ownership

Insurance	280.00
Taxes/License	210.00
Inspection	
Storage	275.00
Overhaul	500.00
Financing	650.00
Cost of Capital	450.00
Other Cost	

Ownership Total	2365.00
Ownership Rate	44.78

Costs of Operation

Fuel and Oil	2.80
Oil Change	1.75
Fluid Change	1.25
Maintenance	
Tires	1.10
Minor Repairs	2.50
Other Cost	

Operating Total	9.40
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Mobilization Rate

Actual Cost

Operated	54.18
Standby	44.78
Idle	44.78

Cost Recovery

	55.00
	45.00
	45.00

Setup in QuickBooks

Setup

1. Make a list of each piece of equipment that you wish to track and determine their hourly cost to operate
2. In QuickBooks, using the Vendor List; set up each piece of equipment as a vendor suqgest name like zz **dump truck**
3. In your QuickBooks Chart of Accounts verify that you currently have an account to track your equipment costs; this should be a **Cost of Goods Sold Account**.
4. In your QuickBooks Item List, set up each piece of equipment as a Service Item; making it a "double sided" item by checking the box that says "This service is used in assemblies or is performed by a subcontractor or partner". (The wording for this will vary depending upon your version of QuickBooks).
 - a. In the Cost box, enter the hourly rate that it costs you to run this piece of Equipment
 - b. In the Expense Account, use the drop down list to select the account from Item #3 above
 - c. In the Description on Sales Transactions box, enter something like "[Equipment name] hourly rate"
- d. In the Sales Price Box, enter the standard hourly rate that you charge your customers for the use of this piece of equipment
 - e. Select the appropriate Tax Code
 - f. In the Income Account, use the drop down list to select your usual income account
5. Repeat steps 2-4 for each piece of Equipment that you are going to track.

Now that you have all of your pieces of equipment setup; we are ready to put this into place.

1. Start with a Weekly Timesheet, and select the piece of Equipment from the Name dropdown list
2. From the Customer: Job dropdown list, select the Job that this piece of equipment was used on
3. From the Service Item dropdown list, select the appropriate equipment item that you set up in Step #4 above
4. Enter the hours per day that the piece of equipment was operated
5. If you will be pulling this onto an Invoice leave the little invoice icon in the last column alone, if not click on the invoice icon to "x" it out.

By entering the time in the timesheet, these hours will now appear in your Jobs, Time, and Mileage Reports.

1. Choose to Enter Bills.
2. Select the Vendor or Other Name entry that you created for this piece of Equipment
 3. A message box will appear that says "This name has time data in the company file. Do you want this check or bill to represent time worked?" You should select Yes
4. Another message box will appear asking you to "Select time period for which you want to pay", enter the dates for the work week and select OK
5. All of the time entries will populate the Items Tab on the Enter Bill Screen and you will see the total amount of the costs for the time period that you chose.
6. Switch to the Expenses Tab
7. Select the Account that you created in Step #3 in the Setup section and enter the full amount as negative entry - thus creating a \$0 bill
8. This has no negative effect on your Profit & Loss Reports

A couple of things to keep in mind.

1. If you want the job costs to fall into the week that the equipment was actually on the job you need to enter the bill to record the costs on the last day of that week.
2. If you have several pieces of equipment that you wish to track in this manner, it will add to the growth speed of your QuickBooks file, should not be an issue in Enterprise
3. You have to diligently follow all of the steps contained in this document and periodically review your Open Payables Report to make sure that you have not forgotten to 0 out the bill.

Item	Description	Type	Cost	Price
determine				
Fixed Assets:Equipment J.	Equipment Job Cost - Do I	Service	0	0
Fixed Assets:Equipment J.	2004 Caterpillar 305CR Mini Excavator .Do Not Post	Service	0	0
Fixed Assets:Equipment J.	Cat Depreciation	Service	0	0
Fixed Assets:Equipment J.	Cat Interest	Service	0	0
Fixed Assets:Equipment J.	Cat Fuel	Service	0	0
Fixed Assets:Equipment J.	Cat Interest	Service	0	0
Fixed Assets:Equipment J.	Cat Repairs	Service	0	0
Fixed Assets:Equipment J.	Cat Overhaul	Service	0	0
Fixed Assets:Equipment J.	Cat Operating Cost	Service	150	250