MotionOps

CONTRACTOR SCALER HUB · GROW PROFIT, NOT JUST REVENUE

Job Profit Review Worksheet

For lesson 1, Profit Margins 101. Work out the gross margin your business needs once a year, check every closed job against it, and compare two periods to see whether your growth paid. Take the numbers from your accounting software. The examples are made up to show the method.

1. The gross margin your business needs

Required gross margin = (overhead + target net profit) ÷ expected revenue. Put your own salary in overhead at what you'd pay someone to do your job. If you leave it out, the margin looks healthy while you work for less than an employee would.

Line	Example (made up)	Your numbers, next year
Expected revenue	$2,400,000	
Overhead: owner's salary, office staff, trucks, insurance, rent	$480,000	
Target net profit	8% = $192,000	
Gross profit needed (overhead + target net profit)	$672,000	
Required gross margin (gross profit needed ÷ expected revenue)	**28%**	

Your floor: every job priced below it pulls the company below its goal, unless another job makes up for it. It's your floor for estimating and the number you compare every closed job against. A job taken below it needs a reason, written down.

2. Review one closed job

JOB _____ JOB TYPE _____ CREW _____

CUSTOMER _____ CLOSED ON _____ REVIEWED BY _____

First, check that the costs are complete. If your books put some job costs in overhead, or the other way round, fix the categories before you act on the margin.

- [ ] All labor for this job is on the job, not in overhead
- [ ] Every material receipt and supplier invoice for this job is on it
- [ ] Every subcontractor invoice for this job is on it
- [ ] Equipment, rentals and other costs for this job are on it
- [ ] No overhead (office staff, rent, insurance, vehicles, software, owner salary) is booked as a job cost
- [ ] Revenue is everything invoiced for this job

Line	Example: a $10,000 job (made up)	This job
Revenue: invoiced for this job	$10,000	
Labor		
Materials		
Subcontractors		
Equipment, rentals and other direct costs		
Direct job costs (the four lines above)	$6,800 in labor, materials and subs	
Gross profit (revenue − direct job costs)	$3,200	
Gross margin (gross profit ÷ revenue)	32%	
Your required gross margin (part 1)		
Above or below it, in points		
If you allocate overhead: overhead as a share of revenue	24%	
Net result (gross margin − overhead share)	About 8%	

BELOW YOUR FLOOR? WHERE IT LOST MARGIN: A NEW CREW OR NEW PEOPLE, A NEW KIND OF WORK, A DISCOUNT OR A TIGHT BID, MORE SUBCONTRACTED WORK

TAKEN BELOW THE FLOOR ON PURPOSE? THE REASON, WRITTEN DOWN

WHAT CHANGES ON THE NEXT ESTIMATE FOR THIS JOB TYPE

3. Is your growth making money?

Pull your last two years, or your last two six-month periods, from your accounting software and fill in the two right-hand columns.

	Example: last year	Example: this year	Your earlier period	Your recent period
Revenue	$1,600,000	$2,200,000		
Direct job costs	$1,088,000	$1,606,000		
Gross profit and gross margin	$512,000 (32%)	$594,000 (27%)		
Overhead	$380,000	$520,000		
Net profit and net margin	$132,000 (8.3%)	$74,000 (3.4%)		
Monthly break-even revenue (monthly overhead ÷ gross margin)	About $99,000	About $160,500		

1. DID GROSS MARGIN HOLD? IF IT FELL, WHICH JOB TYPES, CREWS OR CUSTOMERS PULLED IT DOWN?

2. DID OVERHEAD GROW FASTER THAN GROSS PROFIT? WAS IT PLANNED INVESTMENT, OR DID IT CREEP IN?

3. DID YOUR BREAK-EVEN POINT MOVE? DID IT RISE FASTER THAN REVENUE?

4. Where growth can eat margin

Where	What to check	What you found
New crews and new people	Actual vs. estimated labor hours, by crew	
New kinds of work	Gross margin by job type	
Filling the schedule	Margin on jobs won at a discount vs. at full price	
Bigger jobs	Gross margin and cash timing on your largest jobs	
Overhead added ahead of revenue	Monthly overhead ÷ monthly gross profit	

5. The gap, and what you'll change

REQUIRED GROSS MARGIN, NEXT YEAR	ACTUAL GROSS MARGIN, RECENT PERIOD	THE GAP, IN POINTS

- [ ] **Price from actual hours:** compare estimated and actual costs on every job (lesson 2) and feed the results into your estimates
- [ ] **Gross margin floor** set at your required margin; a job below it needs a written reason
- [ ] **No discounts to fill the schedule** unless the job still covers its direct costs and a share of overhead
- [ ] **Prices raised** first for new customers and the job types where your margin is weakest
- [ ] **Overhead watched monthly:** every new salary or vehicle comes with the revenue and gross margin it needs to pay for itself

THE FIRST CHANGE, WHO OWNS IT, AND BY WHEN

What to review every month

- Gross margin by month and by job type
- Overhead as a share of revenue
- The gap between your required and your actual gross margin