Road Show 2008 Best Practice:
Manage Indirect [Area] Costs Using BT

How do I Manage 'Indirect' Costs in my Project? [Also known as 'Variable' or 'Area' cost.]

- **Direct costs** are easily identifiable with a specific plan or activity. BT's bidding and contracting module collects and manages these costs very efficiently.
- **Indirect costs** are expenses that are:
  - Not able to be accurately estimated in the Base Plan/Option model, they are Lot-determined.
    - Examples: temporary electric, portable toilets, erosion control, Realtor fees, even cost of the Lot.
  - **Or**, Incurred for multiple lots or all lots in a project, but cannot be identified and charged directly to an individual lot.
    - Examples: trash removal, site landscaping, community electric, jobsite offices, community site and grading plans, etc.
  - **And** we want to be able to capture and budget our costs and reflect those costs in our planning and pricing considerations

Steps

1. Create a list of Allowance Activities called [Community Indirects: Allowance]. Include every cost you can't bid on a Base Plan and Option basis.
2. Create Trades for each Allowance group. We can manage any number of variable costs this way. Some examples:
   a. Sales and Marketing
   b. Community Indirect Costs
   c. Warranty Reserve
3. Attach the Activity Codes to all Plan Types.
   a. shows up in Budgeting for every Plan, every Lot
4. **Budget** each Plan/Lot with $X for appropriate activities in the Project. ($Project Cost Estimate / #Lots) - to ensure my Budget and Pricing calculations include the anticipated Area Costs for the entire project.
   a. Each lot will have the Project Average for each activity budgeted. This spreads the project budget equally across all lots.
   b. If I want a more accurate Indirect Cost Budget per Lot, I can edit the Project Average cost in the Activity List with accurate, lot-specific budgets [after the Original Budget is released].
   c. If I learn the Project Costs are going to increase - I can adjust my Budget to spread the additional $Project Costs over the remaining unsold Lots - and adjust the Selling Price as necessary.
5. Use Original Budget Setting 'Best Available'. When evaluating Job Cost Report for Sale Consideration, the report will pull Budgeted Cost for non-contracted activities.
6. **Either:**
   a. Generate **Manual PO's** against the activity as needed: you are then comparing actual costs to your budgeted allowance.
   b. If you manage Indirect Cost PO's in your accounting system, **don't** issue those PO's in BuildTopia; you'll compare them in your accounting reports.
7. **Or:**
   a. Create a separate Lot in your Project for Indirect Costs and PO's.
   b. Allocate these costs across multiple lots in your accounting system.

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Home > Data Library > Activities > Activity Management

Plans	Activities	Template Budgets	Trade Partners	Schedules

Activity Management

Add Trade | Add Cost Code | Add Activity Code | Add Activity Pa

Trades	Cost Codes	**Activities**	Activity Package

Search: [   ]   Trade: All ▼   Status: Active

Activity # ▲	Activity Name	UM	Trade	Status	📄	Actions
900.10	Per Unit – Trash Removal	TK	690 Cleaning Subcontractor	Active	0	Edit | Tasks | Delete
905.10	Per Unit – Erosion Control	TK	900 Trash Removal Subcontractor	Active	0	Edit | Tasks | Delete
910.10	Variance Per Unit – Take Off Error Allowance	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | Delete
910.20	Variance Per Unit – Materials Stolen Allowance	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | I
910.30	Variance Per Unit – Materials Misused Allowance	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | I
910.40	Variance Per Unit – Materials Damaged per Persons Known	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | I
910.50	Variance Per Unit – Materials Damaged by Persons Unknown	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | I
910.60	Variance Per Unit – Site Conditions Allowance	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | Delete
910.70	Variance Per Unit – Unknown/Unclassified	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | Delete
910.80	Variance Per Unit – Haul Dirt	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | Delete
910.85	Variance Per Unit – Hoe Ram	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | Delete
915.10	Per Unit – Realtor Listing Fee	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | Delete
915.20	Inside Sales Commission	TK	915 Sales & Marketing – Allowance	Active	0	Edit | Tasks | Delete
915.30	Outside Sales Commission	TK	915 Sales & Marketing – Allowance	Active	0	Edit | Tasks | Delete
915.40	Advertising Allowance	TK	915 Sales & Marketing – Allowance	Active	0	Edit | Tasks | Delete
915.50	Gifts	TK	915 Sales & Marketing – Allowance	Active	0	Edit | Tasks | Delete
915.60	Closing Costs	TK	915 Sales & Marketing – Allowance	Active	0	Edit | Tasks | Delete
915.90	Other Sales & Marketing Costs	TK	915 Sales & Marketing – Allowance	Active	0	Edit | Tasks | Delete
920.10	Portable Toilets	TK	920 Community Indirects – Allowance	Active	0	Edit | Tasks | Delete
920.20	Street Maintenance	TK	920 Community Indirects – Allowance	Active	0	Edit | Tasks | Delete
920.30	Temporary Electric	TK	920 Community Indirects – Allowance	Active	0	Edit | Tasks | Delete
920.40	Landscape Maintenance	TK	920 Community Indirects – Allowance	Active	0	Edit | Tasks | Delete
920.50	Clean Up	TK	920 Community Indirects – Allowance	Active	0	Edit | Tasks | Delete
920.60	Erosion Control	TK	920 Community Indirects – Allowance	Active	0	Edit | Tasks | Delete
920.90	Other Community Indirects	TK	920 Community Indirects – Allowance	Active	0	Edit | Tasks | Delete
930.10	Lot Write Off	TK	930 Lot Write Off	Active	0	Edit | Tasks | Delete
950.10	Overhead – Allowance	TK	910 Miscellaneous – Allowance	Active	0	Edit | Tasks | Delete
990.10	Per Unit – Warranty Reserve	TK	990 Warranty Reserve – Allowance	Active	0	Edit | Tasks | Delete

Best Practice – Indirect Costs   **Sample Indirect Activities**

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Contracts	Bids	**Proforma Budgets**	Project: SAMPLE ▼

Proforma Budgets

Unit of Measure	**Base**	Option

Plan Name: BP-Indirects ▼

Search: [   ]   Trade: Best Practice - Indirect Cost Trades Only ▼

Trade ▲	Activity #	Activity Code/Package Name	Current Proforma	Revised Proforma
690 Cleaning Subcontractor	900.10	Per Unit – Trash Removal	$0.00	$0.00
900 Trash Removal Subcontractor	905.10	Per Unit – Erosion Control	$0.00	$0.00
910 Miscellaneous – Allowance	910.10	Variance Per Unit – Take Off Error Allowance	$0.00	$0.00
910 Miscellaneous – Allowance	910.20	Variance Per Unit – Materials Stolen Allowance	$0.00	$0.00
910 Miscellaneous – Allowance	910.30	Variance Per Unit – Materials Misused Allowance	$0.00	$0.00
910 Miscellaneous – Allowance	910.40	Variance Per Unit – Materials Damaged per Persons Known	$0.00	$0.00
910 Miscellaneous – Allowance	910.50	Variance Per Unit – Materials Damaged by Persons Unknown	$0.00	$0.00
910 Miscellaneous – Allowance	910.60	Variance Per Unit – Site Conditions Allowance	$0.00	$0.00
910 Miscellaneous – Allowance	910.70	Variance Per Unit – Unknown/Unclassified	$0.00	$0.00
910 Miscellaneous – Allowance	910.80	Variance Per Unit – Haul Dirt	$0.00	$0.00
910 Miscellaneous – Allowance	910.85	Variance Per Unit – Hoe Ram	$0.00	$0.00
910 Miscellaneous – Allowance	915.10	Per Unit – Realtor Listing Fee	$0.00	$0.00
910 Miscellaneous – Allowance	950.10	Overhead – Allowance	$0.00	$0.00
915 Sales & Marketing – Allowance	915.90	Other Sales & Marketing Costs	$0.00	$0.00
915 Sales & Marketing – Allowance	915.60	Closing Costs	$0.00	$0.00
915 Sales & Marketing – Allowance	915.50	Gifts	$0.00	$0.00
915 Sales & Marketing – Allowance	915.40	Advertising Allowance	$0.00	$0.00
915 Sales & Marketing – Allowance	915.30	Outside Sales Commission	$0.00	$0.00
915 Sales & Marketing – Allowance	915.20	Inside Sales Commission	$0.00	$0.00
920 Community Indirects – Allowance	920.10	Portable Toilets	$0.00	$0.00
920 Community Indirects – Allowance	920.90	Other Community Indirects	$0.00	$0.00
920 Community Indirects – Allowance	920.60	Erosion Control	$0.00	$0.00
920 Community Indirects – Allowance	920.50	Clean Up	$0.00	$0.00
920 Community Indirects – Allowance	920.40	Landscape Maintenance	$0.00	$0.00
920 Community Indirects – Allowance	920.30	Temporary Electric	$0.00	$0.00
920 Community Indirects – Allowance	920.20	Street Maintenance	$0.00	$0.00
930 Lot Write Off	930.10	Lot Write Off	$0.00	$0.00
990 Warranty Reserve – Allowance – DNF	990.10	Per Unit – Warranty Reserve	$0.00	$0.00

Best Practice – Indirect Costs   Sample Proforma Budget Entry

Job Cost Report (Lot Detail)

Buyer: Best Practice - Indirect Costs   Projected Completion Date:

Address: Current Milestone:

Lot: Days Under Construction:

Plan:

Status: Requested by Sales

Cost Code

Activity Code	Option Code	PO	PO Status	Amount	Current Budget	Projected Variance	Variance Percentage
910.80 Variance Per Unit - Haul Dirt			Not Generated	$0.00	$200.00	$0.00	0%
910.85 Variance Per Unit - Hoe Ram			Not Generated	$0.00	$0.00	$0.00	0%
915.10 Per Unit - Realtor Listing Fee			Not Generated	$0.00	$250.00	$0.00	0%
905.10 Per Unit - Erosion Control			Not Generated	$0.00	$300.00	$0.00	0%
910.10 Variance Per Unit - Take Off Error Allowance			Not Generated	$0.00	$0.00	$0.00	0%
950.10 Overhead - Allowance			Not Generated	$0.00	$2,500.00	$0.00	0%
930.10 Lot Write Off			Not Generated	$0.00	$38,950.00	$0.00	0%
910.20 Variance Per Unit - Materials Stolen Allowance			Not Generated	$0.00	$0.00	$0.00	0%
Total:				$0.00	$49,150.00	$0.00	0%
9200 Community Indirects - Allowance							
920.10 Portable Toilets			Not Generated	$0.00	$308.00	$0.00	0%
920.90 Other Community Indirects			Not Generated	$0.00	$25,000.00	$0.00	0%
920.60 Erosion Control			Not Generated	$0.00	$100.00	$0.00	0%
920.50 Clean Up			Not Generated	$0.00	$250.00	$0.00	0%
920.40 Landscape Maintenance			Not Generated	$0.00	$0.00	$0.00	0%
920.30 Temporary Electric			Not Generated	$0.00	$150.00	$0.00	0%
920.20 Street			Not Generated	$0.00	$0.00	$0.00	0%

Best Practice – Indirect Costs   Sample Job Cost Report

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