



# Job Cost Chart of Accounts Design

By Richard Berry

**Editor's Note:** *Although this subject may seem basic, it is one of those areas where many Job Cost users struggle. The concept of chart of accounts design may seem straightforward at first sight, but the PeopleSoft Job Cost module is capable of great sophistication. The Job Chart is the heart of the system and it is critical to get it right. In this white paper, Richard describes how the chart is supposed to work and he gives some examples. There are many acceptable alternatives, but the main objective is to design a chart that will quickly display critical cost management information and be sufficiently succinct. Richard is able to draw from many years of experience working with construction and engineering companies that use The PeopleSoft World® and EnterpriseOne® Job Cost solution.*

## Introduction

The Job Chart is the 'core' of the PeopleSoft Job Costing system. It is important to get it right. Although it would be impossible to design a standard chart that could be useful for all companies, there *is* a "right" and a "wrong" way to do it. There are certain definite rules that must be followed in chart design, but different enterprises may well end up with (very) different charts. A chart that is suitable for a construction company will not be suitable for an engineering company or an event organizer, all of whom may use the PeopleSoft Job Costing system. Even different divisions within the same company may have quite different charts, reflecting the differing nature of their businesses. Nevertheless, similar conventions will be followed in the design of all these different charts.

## Principles of simplicity and consistency

There are two principles that should be followed in chart design. These are simplicity and consistency.

### Simplicity

It is not necessary to have a complex chart. A job chart is not the same thing as a Bill of Materials, and cost elements do not need to be shown individually. Many users attempt to design all-encompassing job charts. The best charts, however, are simple. Complexity leads to miscoding errors and slow inquiry response times. Simplicity leads to accuracy, swift computer response times, and swift action when costs begin to get out of line.

### Consistency

As far as possible, similar jobs should have similar charts. This is so that similar jobs can be compared. Consistency also leads to familiarity, and familiarity leads to coding accuracy. Also, within one job, similar expense types should have similar codes. Labor expense may occur at several points throughout the job. The same code should be used for labor throughout.

## Objectives

We can say that there are three main purposes of the job chart:

- The first purpose of the chart is to organize data so that critical information can be easily retrieved. The job chart must be designed in such a way that information can be seen at a glance. That implies simplicity. What is important is that information is presented in such a way that management are able to get important project cost information quickly, so they can make *informed* decisions.

You must work out what are the critical factors in your organization and make sure the chart is designed to display those factors quickly and easily. Should materials, for example, be shown in detail, or as a single account? Or is there one type of material that makes up a large



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part of material cost? That one type of material should be separated out into a separate account. Apart from that, further detail may not be required.

- The second purpose of the job chart is budgetary control. Budgetary control is exercised in two ways in PeopleSoft, firstly through the purchase order system, and secondly through budget/actual reporting. Chart design is important for good budgetary control. In particular, level of detail must be set correctly. Many businesses do not perform budget control at the detail level. Although budgets may be entered at the detail level, control may be performed at a higher level.
- The third purpose of the job chart is to provide information for legal and taxation purposes. It may be necessary to show some accounts in detail for taxation purposes. For example, in some countries, it may be necessary to show travel expenses in detail, even though these may be insignificant for other reasons. R&D projects may have to show expenses in detail, so that the capitalized amount can be computed.

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