

## Setting Up ALLOWANCES (or Options)

Allowances (or some builders call them Options) are generally maximum amounts that the builder has authorized for customer selections for certain types of costs. Allowances might be set up for appliance packages, plumbing fixtures, hardware, carpet, and so on. Often the builder's contract states that if the customer makes selections that total to more than the allowance, the builder will add the overage amount to the contract price. And vice versa, they often agree to reduce the contract price for selections that are under the allowance amount. This program will track Allowances and produce reports that display allowance costs that are over or under the allowance amount.

NOTE: Allowances should not be confused with Change Orders, and it is suggested that Change Orders should not be posted for allowance differences UNLESS you will be posting a Change Order for every Allowance over or under amount. The program WILL produce a summary report that calculates the Revised Contract Price (as shown below). IF the program finds that Change Orders have been issued for ANY Cost Code marked as an Allowance Item, it will NOT calculate an Allowance Over/Under Adjustment on that report. This is to avoid a 'double dipping' calculation. There are reports that will detail the allowance overages for the customer, so it is not necessary to produce a change order for allowance overages. **See later information about applying a markup to Allowance overages.**

|                         |  |   |
|-------------------------|--|---|
| Original Contract Price |  | \$500,000.00  |
| + Change Orders Price   |  | \$ 4,500.00   |
| Orig Contract + CO's    |  | \$504,500.00  |
|                         |  |   |
| + Allowance Overages    |  | \$ 2,000.00 (or this could be negative if costs under allowances) |
| <b>Revised Contract</b> |  | <b>\$506,500.00</b>   |

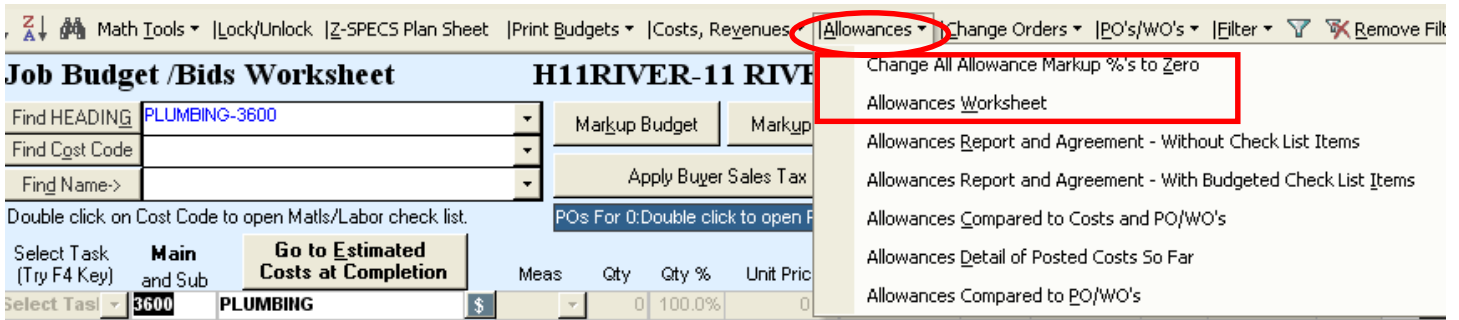
**ADDITIONAL NOTE:** A way to track allowance differences (other than on Allowance over/under reports) is to post a Budgeted Purchase Order for the original allowance amount, and then issue a Variance PO for the overage (or under) amount. Since Variance PO's will be displayed in their own column on variance reports, they are easy to spot.

**Allowances are set up** on the Job's Budget/Bids Worksheet (see Help documents about Budget/Bids Worksheet). If the Measure "Allowance" is selected in the 'Meas' field on a budget line, that cost item and its budgeted amount will be included on the Allowance Agreement and on Allowance Cost Reports. See following pages for more information about Allowances.

| Select Task<br>(Try F4 Key) | Main<br>and Sub | Go to Estimated<br>Costs at Completion | Meas     | Qty  | Qty %  | Unit Price | Budgeted<br>Total |
|-----------------------------|-----------------|--|----------|------|--------|------------|-------------------|
| Select Task ▼               | 3600            | PLUMBING                               | \$       | 0    | 100.0% | 0.00       | 0.00              |
| Select Task ▼               | 3605            | Plumbing - Turnkey                     |          | 0    | 100.0% | 0.00       | 0.00              |
| Select Task ▼               | 3610            | Rough Plumbing                         | Living S | 3493 | 33.0%  | 4.50       | 5,187.11          |
| Select Task ▼               | 3620            | Topout Plumbing                        | Living S | 3493 | 33.0%  | 4.50       | 5,187.11          |
| Select Task ▼               | 3630            | Final Plumbing                         | Living S | 3493 | 34.0%  | 4.50       | 5,344.29          |
| Select Task ▼               | 3631            | Plumbing Fixtures                      | Allowanc | 1    | 100.0% | 5,000.00   | 5,000.00          |
| Select Task ▼               | 3635            | Softener/Filters                       |          | 0    | 100.0% | 0.00       | 0.00              |
| Select Task ▼               | 3640            | Water Heater                           |          | 0    | 100.0% | 0.00       | 0.00              |
| Select Task ▼               | 3650            | Bathtubs and Showers                   | Allowanc | 1    | 100.0% | 5,000.00   | 5,000.00          |
| Select Task ▼               | 3655            | Fiberglass Shower Pan:                 |          | 1    | 100.0% | 0.00       | 0.00              |
| Select Task ▼               | 3680            | Plumbing Supplies                      |          | 0    | 100.0% | 0.00       | 0.00              |
| Select Task ▼               | 3685            | Plumbing Repairs                       |          | 0    | 100.0% | 0.00       | 0.00              |
| Select Task ▼               | 3690            | Plumbing Extras                        |          | 0    | 100.0% | 0.00       | 0.00              |

## ALLOWANCE Tasks, Agreement, and Cost Comparisons

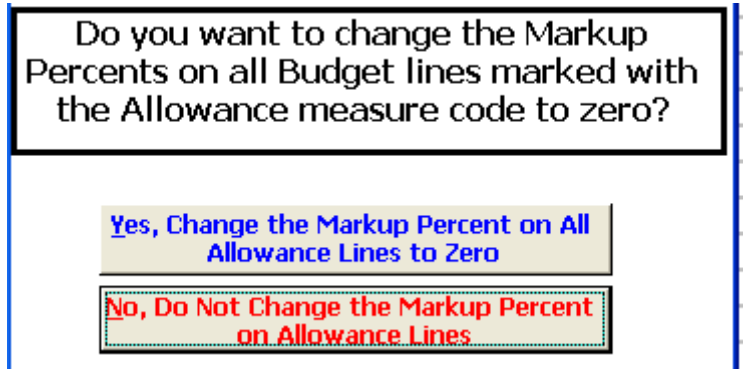
On the Job Budget/Bids Worksheet, one of the buttons on the toolbar is labeled 'Allowances'. Click the 'Allowances' button to drop down a list of allowance tasks, agreement, and reports. These Allowance features are described below and on following pages.



### Change All Allowance Markup %'s to Zero -

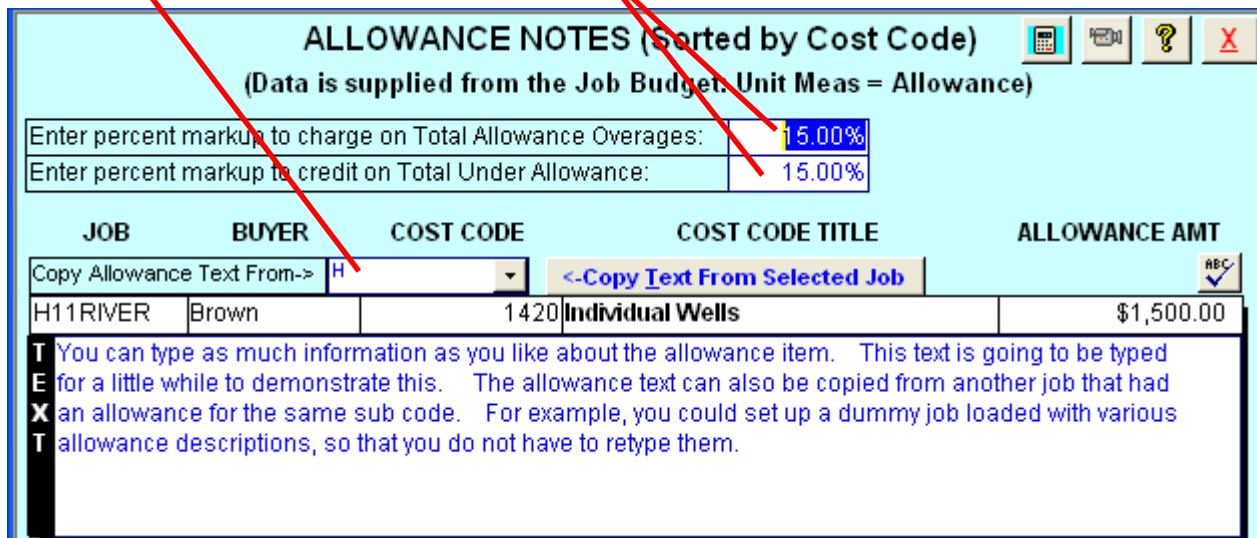
Use this to change the Markup % to zero on all budget lines that are marked as an Allowance. In order to compare allowance amounts to actual costs posted for the cost item, it is necessary to use the budgeted cost as the allowance amount, and not a marked up amount. Therefore, some builders prefer to set the markup percent for allowance lines on the budget to zero. This is because those builders give the customers a budget proposal with marked up amounts only

and they don't want the allowance amounts on the marked up budget report to be different than the allowance amounts on the agreement. **NOTE:** If you do this, and base your Contract Price on the Marked Up Total, you might want to adjust the Contract Price up some if you want to include some profit on allowance items.

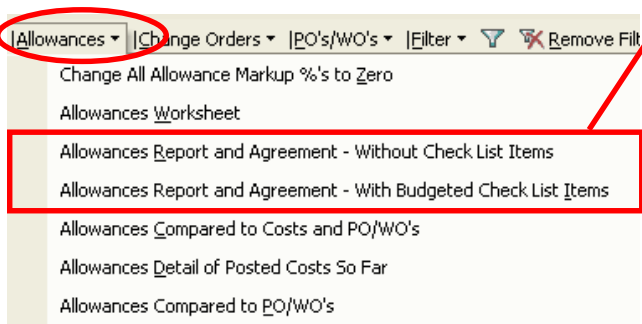


**Allowances Worksheet** - Click this selection to pop up an "Allowance Notes" worksheet. Enter as much information for each Allowance item as needed on the worksheet. The notes will print on an Allowance Agreement (see next page). Allowance Text can be copied from the same cost code on another job budget by selecting the job and using the button to '**Copy Text From Selected Job**'.

If you have a contract that allows you to apply a markup percent to Allowance Overages and/or to Allowance Credits, enter that percents as a decimal numbers. (Ex: for 15%, enter .15) This markup percent will be applied to Allowance overages and/or Credits on the Contract Balance report available on the Estimated Costs at Completion worksheet.




Allowance Tasks, Agreement, and Cost Comparisons - continued



Use these selections to print an Allowance Agreement that the builder and the customer can sign. One report will NOT list any check list items that have been associated with the budgeted cost code. One report WILL list the materials/labor check list.

This is the agreement that does NOT include a Check List of Materials and Labor.



## ALLOWANCE REPORT AND AGREEMENT

### HIIRIVER

**PROPERTY: 11 RIVER RUN    BUYER(S): Jack and Jill Brown**

*Individual Wells*

|  |                    |
|--|--------------------|
| Individual Wells   | \$1,500.00         |
| <p style="font-size: small;">You can type as much information as you like about the allowance item. This text is going to be typed for a little while to demonstrate this. The allowance text can also be copied from another job that had an allowance for the same sub code. For example, you could set up a dummy job loaded with various allowance descriptions, so that you do not have to retype them.</p> |                    |
| Septic System  | \$1,600.00         |
| Plumbing Fixtures  | \$5,000.00         |
| <p style="font-size: small;">You can type as much information as you like about the allowance item. This text is going to be typed for a little while to demonstrate this. The allowance text can also be copied from another job that had an allowance for the same sub code. For example, you could set up a dummy job loaded with various allowance descriptions, so that you do not have to retype them.</p> |                    |
| Bathtubs and Showers   | \$5,000.00         |
| Window & Door Hardware   | \$2,000.00         |
| Carpet - Turnkey   | \$7,050.00         |
| Cer Tile Floor Turnkey   | \$2,214.00         |
| Hardwood - Turnkey   | \$3,500.00         |
| Marble Floor-Turnkey   | \$4,600.00         |
| Ceramic Tile Turnkey   | \$2,000.00         |
| Total Appliance Package  | \$9,010.65         |
| <b>GRAND TOTAL</b>   | <b>\$43,474.65</b> |

A Markup percent on total allowance overages will be charged to the Buyer at this rate:    15.00%  
 A Markup percent on total allowances under will be credited to the Buyer at this rate:    15.00%

Builder Signature \_\_\_\_\_ Date \_\_\_\_\_  
 Buyer Signature \_\_\_\_\_ Date \_\_\_\_\_

Allowance Tasks, Agreement, and Cost Comparisons - continued

vances ▾ Change Orders ▾ PO's/WO's ▾ Filter ▾ Remove Filter  
 Change All Allowance Markup %'s to Zero  
 Allowances Worksheet  
 Allowances Report and Agreement - Without Check List Items  
 Allowances Report and Agreement - With Budgeted Check List Items  
**Allowances Compared to Costs and PO/WO's**  
 Allowances Detail of Posted Costs So Far

There are 2 reports that compare Allowances to total actual costs and Purchase Orders that have been posted. They are displayed below. One is a summary and one shows the detail of supplier invoices that have been posted. NOTE: IF a Purchase Order has been posted, the PO amount will override the Actual Posted Costs when calculating the Allowance Remaining. That's because a PO represents a committed cost.

## Allowances Compared to Costs and Purchase/Work Orders So Far

### H11RIVER: 11 RIVER RUN-BROWN

| H11RIVER                     | Authorized Allowance | *Actual Posted Costs | Budgeted and Variance PO/WO's | Allowance Remaining |
|------------------------------|----------------------|----------------------|-------------------------------|---------------------|
| 1420-Individual Wells        | \$1,500.00           | \$1,419.40           | \$1,500.00                    | \$0.00              |
| 1440-Septic System           | \$1,800.00           | \$1,600.00           | \$1,600.00                    | \$200.00            |
| 3631-Plumbing Fixtures       | \$5,000.00           | \$1,888.87           | \$5,000.00                    | \$0.00              |
| 3650-Bathubs and Showers     | \$5,000.00           | \$0.00               | \$5,000.00                    | \$0.00              |
| 4580-Window & Door Hardware  | \$2,000.00           | \$0.00               | \$2,000.00                    | \$0.00              |
| 5126-Carpet - Turnkey        | \$7,050.00           | \$0.00               | \$7,050.00                    | \$0.00              |
| 5149-Cer Tile Floor Turnkey  | \$2,214.00           | \$2,128.00           | \$2,000.00                    | \$86.00             |
| 5156-Hardwood - Turnkey      | \$3,500.00           | \$0.00               | \$0.00                        | \$3,500.00          |
| 5166-Marble Floor-Turnkey    | \$4,600.00           | \$0.00               | \$0.00                        | \$4,600.00          |
| 5312-Ceramic Tile Turnkey    | \$2,000.00           | \$0.00               | \$0.00                        | \$2,000.00          |
| 5505-Total Appliance Package | \$9,010.65           | \$0.00               | \$9,010.65                    | \$0.00              |
| <b>GRAND TOTALS</b>          | <b>\$43,674.65</b>   | <b>\$7,036.27</b>    | <b>\$33,160.65</b>            | <b>\$10,386.00</b>  |

## Allowances Compared to Posted Costs To Date

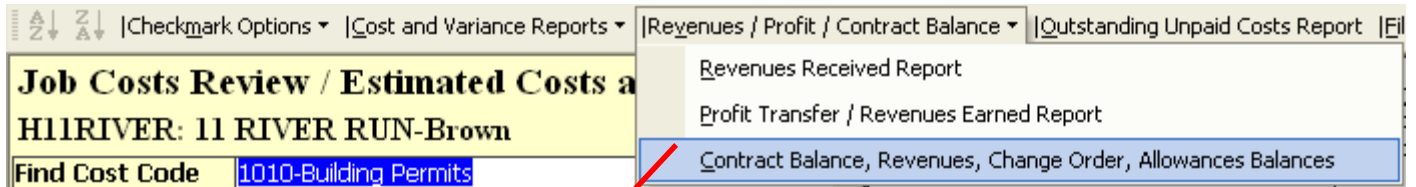
### H11RIVER

### H11RIVER: 11 RIVER RUN-BROWN

| DATE                          | DOC      | VENDOR   | DESCRIPTION                     | TOTAL  |            |
|-------------------------------|----------|----------|---------------------------------|--|------------|
| <b>1420-Individual Wells</b>  |          |          |                                 |  |            |
| 06-Feb-02                     | 11299    | HURSTCRK | HURST CREEK MUD                 | Wellfee  | \$1,419.40 |
|                               |          |          |                                 | *Posted Costs So Far                           | \$1,419.40 |
|                               |          |          |                                 | Budgeted and Variance Purchase/Work Orders     | \$1,500.00 |
|                               |          |          |                                 | ALLOWANCE                                      | \$1,500.00 |
|                               |          |          |                                 | Remaining (based on higher of Costs or POWO's) | \$0.00     |
| <b>1440-Septic System</b>     |          |          |                                 |  |            |
| 06-Feb-02                     | 11299    | HURSTCRK | HURST CREEK MUD                 | Hurst Creek MUD                                | \$1,600.00 |
|                               |          |          |                                 | *Posted Costs So Far                           | \$1,600.00 |
|                               |          |          |                                 | Budgeted and Variance Purchase/Work Orders     | \$1,600.00 |
|                               |          |          |                                 | ALLOWANCE                                      | \$1,800.00 |
|                               |          |          |                                 | Remaining (based on higher of Costs or POWO's) | \$200.00   |
| <b>3631-Plumbing Fixtures</b> |          |          |                                 |  |            |
| 04-May-02                     | 978840   | FERGUSON | FERGUSON ENTERPRISES, INC. #245 | Plumbing fixtures                              | \$1,884.16 |
| 24-May-02                     | 14475008 | AMEX     | AMERICAN EXPRESS                | Ferguson's plumbing fixtures                   | \$4.71     |
|                               |          |          |                                 | *Posted Costs So Far                           | \$1,888.87 |
|                               |          |          |                                 | Budgeted and Variance Purchase/Work Orders     | \$5,000.00 |

## ALLOWANCES and CONTRACT BALANCE

There is a very handy report to use when a job is nearing completion. It's found on the 'Estimated Costs at Completion' worksheet which can be opened from the Budget/Bids Worksheet. (See Help docs about the ECC worksheet.) On the toolbar at the top of the worksheet, click 'Revenues / Profit / Contract Balance', then select 'Contract Balance, Revenues,.... The last page of the report that opens will display the summary of Allowances and Costs, and apply any overage or credits to the Contract Balance. See below.



Top of First Page of Report

Other pages of the report will list Revenues Received and Change Orders information.

### Revenues Received and Contract Balance

|   |                     |
|---|---------------------|
| <b>Original Contract</b>                        | <b>\$453,000.00</b> |
| <b>Approved Change Orders</b>                   | <b>\$9,866.05</b>   |
| <b>Revised Contract (or Revenues if higher)</b> | <b>\$462,866.05</b> |

|   |                     |
|---|---------------------|
| <b>Revised Contract</b>                           | <b>\$462,866.05</b> |
| <b>Revenues Rec'd</b>                             | <b>\$153,579.19</b> |
| <b>Contract Balance</b>                           | <b>\$309,286.86</b> |
| <b>Allowances Over/(Under) Adjustment</b>         | <b>(\$92.69)</b>    |
| <b>Contract Balance (+- Allowance Over/Under)</b> | <b>\$309,194.17</b> |

H11RIVER 11 RIVER RUN - Brown

#### CHANGE ORDER

DOC ID      DATE      PAYOR      DESCRIPTION      AMOUNT

Last Page of Report - As of now, there is an Allowance credit which is reducing the Contact Balance. That's because it's still fairly early in the job. When the job is about to close, this report can be very handy for reviewing closing monies due from the customer.

### Allowances Compared to Estimated Costs At Completion

|   |                  |   |                     |
|---|------------------|---|---------------------|
| <b>Allowances Over/(Under)</b>            | <b>(\$80.60)</b> | <b>Contract Balance</b>                           | <b>\$309,286.86</b> |
| <b>*Markup On Allowances OVER 15.00%</b>  | <b>\$0.00</b>    | <b>Allowances Over/(Under) Adjustment</b>         | <b>(\$92.69)</b>    |
| <b>*Markup On Allowances UNDER 15.00%</b> | <b>(\$12.09)</b> | <b>Contract Balance (+- Allowance Over/Under)</b> | <b>\$309,194.17</b> |
| <b>Allowances Over/(Under) Adjustment</b> | <b>(\$92.69)</b> |   |                     |

\*Markup Percents for Allowance Over/Unders are set up on the Allowance Worksheet available on the toolbar for the Budget/Bids Worksheet.

### \*Allowances Compared to Estimated Costs At Completion

| H11RIVER            |                         | Authorized Allowance | Estimated Costs At Completion | Est.Allowance Over (Under) |
|---------------------|-------------------------|----------------------|-------------------------------|----------------------------|
| 1420                | Individual Wells        | \$1,500.00           | \$1,419.40                    | (\$80.60)                  |
| 1440                | Septic System           | \$1,600.00           | \$1,600.00                    | \$0.00                     |
| 3631                | Plumbing Fixtures       | \$5,000.00           | \$5,000.00                    | \$0.00                     |
| 3650                | Bathtubs and Showers    | \$5,000.00           | \$5,000.00                    | \$0.00                     |
| 4580                | Window & Door Hardware  | \$2,000.00           | \$2,000.00                    | \$0.00                     |
| 5126                | Carpet - Turnkey        | \$7,050.00           | \$7,050.00                    | \$0.00                     |
| 5149                | Cer Tile Floor Turnkey  | \$2,214.00           | \$2,214.00                    | \$0.00                     |
| 5156                | Hardwood - Turnkey      | \$3,500.00           | \$3,500.00                    | \$0.00                     |
| 5166                | Marble Floor Turnkey    | \$4,600.00           | \$4,600.00                    | \$0.00                     |
| 5312                | Ceramic Tile Turnkey    | \$2,000.00           | \$2,000.00                    | \$0.00                     |
| 5505                | Total Appliance Package | \$9,010.65           | \$9,010.65                    | \$0.00                     |
| <b>GRAND TOTALS</b> |                         | <b>\$43,474.65</b>   | <b>\$43,394.05</b>            | <b>(\$80.60)</b>           |