Assigning Overhead in the Income Statement

Creating a Segment Driven Profit & Loss Statement

Where Does the Company Make a Profit and
Where Should it Invest for Growth

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Departmentalizing Your Company through the Overhead Level to Determine Segment Profitability

Do you want to know what each department produces in profit?

You *already* have a departmental financial statement to the gross profit line!

You *already* get information on a timely basis.

You have a *competent book keeping* function in place.

You *have mid-level managers* in place in your company.

You want to go to the "*Next*" level in your company and grow.

You want to know where to invest for growth and how much?

You may want to know the *Internal Rate of Return* on capital invested.

You want to *compensate your mid-managers* on the basis of profit contribution.

Allocating overhead to your business segments is a key issue to accomplish changes in any business.

Some may be intimidated by this concept.

Some even would advocate that small or mid-size contractors should not attempt this nefarious process for fear of ruination of their business, or you are just simply NOT that smart to do it! Rubbish!

It allows you to identify strengths and weaknesses in a company.

It also allows increased information and flexibility for decision-making.

Maybe most importantly, it allows for capital and your own energy to sustain growth in segments you know are beneficial to the company.

Is it difficult? – NO! Does it require some thought? – Yes! Can you do it? – Absolutely Yes!

Should you do it – make up your own mind! Stop listening to those who COULDN'T do it or make it work and begin to look and think for yourself. This material is simply a platform.

We are NOT Saying to (***Allocate overhead by segment***) do it but presenting the process of how you may want to approach overhead allocation if you desire the challenge of going to the next level in your company evolution.

The plain fact is if you want to grow, and you want to fully understand the workings of your business, then having overhead applied to the segments that create the costs are a natural extension of having the direct costs applied. Why are they any different? Simple – understanding and awareness. As a concept there is NO difference. It's smart business to understand your company operating practices, and how the costs come from these operating practices. *How do argue against this*?

Allocating overhead to specific departments/segments in a company is not for everyone. It is a natural extension of understanding how your company operates and creates its costs. You do this to make more informed decisions about growth, mix of business, and getting accountability established with mid-managers, including pay plans.

MIX of Business:

Departmental overhead plays a key role in determining your business "Mix". The type of work performed by a company, and how it relates to overhead.

Determining when to do this, and if it is actually worth the time and effort is worthy of consideration.

The chart below shows a company that has successfully allocated its overhead. The departments are all accepting of overhead in two ways, fixed overhead costs, and of course the variable overhead costs. The various departments are different. Service is a large overhead generator. CSR, Dispatch, Trucks, Gasoline, Marketing etc… all of these are high overhead items.

Dept.	Dealer AOR	Service Sales	Demand Service	USA Maintenance	New Home	Light Commercial	Totals	
% Mix	42.11%	3.16%	23.16%	6.32%	21.05%	4.21%	100%	
Revenues	$ 1,000,000	$ 75,000	$ 550,000	$ 150,000	$ 500,000	$ 100,000	$ 2,375,000	
GP$	$ 380,000	$ 30,750	$ 302,500	$ 67,500	$ 125,000	$ 23,000	$ 928,750	
Gross Margin	38.00%	41.00%	55.00%	45.00%	25.00%	23.00%	39.11%	
Variable Overhead	$ 60,000	$ 7,000	$ 60,000	$ 10,000	$ 18,000	$ 8,000	$ 163,000	6.86%
Fixed Overhead	$ 200,000	$ 15,000	$ 180,000	$ 50,000	$ 60,000	$ 10,000	$ 515,000	21.68%
Total Overhead	$ 260,000	$ 22,000	$ 240,000	$ 60,000	$ 78,000	$ 18,000	$ 678,000	
OH %	26.00%	29.33%	43.64%	40.00%	15.60%	18.00%	28.55%	
Op Profit	$ 120,000	$ 8,750	$ 62,500	$ 7,500	$ 47,000	$ 5,000	$ 250,750	
Op Profit %	12.00%	11.67%	11.36%	5.00%	9.40%	5.00%	10.56%	
						Taxes/Interest/Other	$ 45,000	
							$ 205,750	

How the overhead is allocated to these departments is part of what we need to discuss as we move forward. As you can see from the chart, we can review how much business is derived from each segment. Service is 23.16% of our total sales. The accessory service sales is 3.16 % of our total sales. We can now also determine what if games. If we grow any one area, what happens to profit, overhead and how does that affect our need to plan, and prioritize?

Establishing your departmental overhead in your company – Is the juice worth the squeeze?

Often times the beginning point in the allocation discussion is, which costs go to which department and why?

We refer to this as the allocation methods (Allocation referring to how we assign the overhead dollars to a department).

There is no exact one rule fits all process here.

Instead, a savvy manager or company will review each chart of account to make decisions on how the chart of account actually contributes to overhead. Some can be directly assigned. Some accounts in overhead move with labor, and some may be difficult to assign, like an owners salary.

So the question is, how does this really occur in a company?

There are numerous allocation methods. Ask a 100 people who have done it and you are likely to get at least 100 methods. Do NOT let this be concerning to you. It is not an exact science. It contains logic, but there is no one size fits all formula for executing this principle. There IS LOGIC to the idea though and that is where we need to start.

First:

Whatever you do – REMAIN Consistent from this point forward. That is the number one key. So from now on year-over-year comparisons can be made and will be consistent.

Secondly:

Know the allocation methods and what they mean to breaking down your overhead. Sales and gross profit are simple. They simply are direct expense. Where you sell it, and where the cost of goods are located they follow sales. Easy!

Overhead requires more thought. There are numerous allocation methods. All have merit. Some simply are more appropriate for a given company. Here they are:

Allocation Methods

1. Direct expense method – department who buys it owns it – Gasoline/Cell Phones
   Certain accounts will be directly expensed into a department based on usage.
2. Allocation by percentage of labor hours
   Certain accounts are more directly affected by the labor hours used.
3. Allocation by percentage of sales
4. Management Discretion – expenses based on how managers view the world
   a. Allocation of Square footage
   b. Managerial Estimate – (We call it Corporate Burden – it is assigned)

Review the chart of accounts. This is a generic chart of accounts. Yours may be more or less detailed. This represents a high-level set of accounts for operating expenses and a sample assignment of the type of allocation method. You make your own!

Operating Expenses

Marketing		Employee Related		Plant and Equipment		Vehicle Related		Administrative	
Yellow Pages	Mgt Discr.	Management Bonus	% Labor	Depr - Office/Comp	Mgt Discr.	Depr Expense	Direct Exp	Permit and Licenses	Mgt. Discr.
Direct Marketing	Direct Exp	Admin Wages	Mgt Discr.	Depr - Equip/Machine	Mgt Discr.	Vehicle Repair	Direct Exp	Accounting Fees	Mgt Discr.
Newspaper/Print	Direct Exp	Warehouse Salary	% Labor	Depr - Furniture/Land	Mgt Discr.	Vehicle Fuel	Direct Exp	Goodwill Amort.	Mgt Discr.
Television/Cable	Mgt Discr.	Officer Salary	Mgt Discr.	Building Maintenance	Mgt Discr.	Vehicle Licenses	Direct Exp	Bad Debts	Direct Exp
P/R Special Events	Direct Exp	Vacation/Holiday	% Labor	Shop Equipment/Co. Tool	Mgt Discr.	Auto Insurance	Direct Exp	Dues and Subscriptions	Mgt Discr.
Internet	Mgt Discr.	Training/Meeting Wage	% Labor	Tools & Equip Repairs	Mgt Discr.	Auto Lease	Direct Exp	Industry Group Fees	Mgt Discr.
Outdoor Mediums	Direct Exp	Payroll Taxes- FICA	% Labor	General Liability Insur.	Mgt Discr.			I/T -Data Processing	Mgt Discr.
Sales Collateral Materials	Direct Exp	Payroll Taxes- Other	% Labor	Rent	Mgt Discr.			Postage	Direct Exp
		Worker's Comp	% Labor	Utilities	Mgt Discr.			Office Supplies	% Labor
		Group Dental	% Labor	Telephone	Mgt Discr.			Answering Service	% Labor
		Retirement Plan	% Labor	Janitorial Expense	Mgt Discr.			Nextels/Cellular	Direct Exp
		Group Health/Life/Dis	% Labor	Property Tax	Mgt Discr.			Bank & Credit Card	% Sales
		Uniforms	% Labor	Equipment Leases	Mgt Discr.			Travel & Entertainment	Direct Exp
		Employee Related/Safety	% Labor					Interest Expenses	Direct Exp
		Drug Testing	Direct Exp					Contributions	Mgt Discr.
		Hiring Expense	Direct Exp					Printing Expense	Mgt Discr.
		Small Tools	% Labor					Legal Expense	Mgt Discr.
		Education Expense	% Labor						
		Support Wages -Mgrs.	Direct Exp						
		Fringes Office	% Labor						

Direct Expense Method:

The method is exactly what it implies. Any expense is owned (assigned) to the department that creates it.

The department who buys it owns it – Gasoline/Cell Phones are examples.

Certain accounts will be directly expensed into a department based on usage. The concept is quite simple. Any time you can, you use this method. It is the most fair and obvious method.

This is the preferred method. The reason is there is no argument from anyone. So it creates total agreement and accountability. Unfortunately not all overhead (operating expense accounts) accounts follow this pattern, though many do.

Labor Ratio Method:

This method uses labor to assign costs. It evaluates labor in the various departments as a percentage against the total labor payroll. The resulting ratios for each department are used to then multiply by the overhead expenses to come up with how the overhead is spread.

Example:

Company labor payroll (direct labor only - no benefits or burden) = $100,000

Service Labor = $40,000 40,000/100,000 = 40% Service labor Ratio

Any overhead account would then accept 40% of the expense under this method.

Add-on Repl. = 60,000 60,000/100,000 – 60%

Any overhead account would then accept the remaining 60% of the expense under this method.

So we use labor to figure out how costs are being driven. Any chart of account we have designated as a labor driven overhead account, would get assigned costs based on how the department used the company labor. So a company that has men crossing over into other areas, will track that labor using their time cards into the appropriate departments, so the labor is accurate and follows the sale.

This allows a company to see how to properly apply overhead costs using the labor to sales method.

Percentage of Sales Method:

The percentage of sales method is the least effective method of assigning overhead. Direct costs move based on sales, but very few overhead accounts move with sales (Some do, most do not).

Think about it this way. If you have overhead set, and you raise prices effectively making sales go up due to the price increase, does the overhead go up because of the price increase and resulting increase in sales? The answer is of course it does not.

So, most choose the allocation of overhead using labor, as opposed to sales.

The reason we are discussing this is because some favor the percentage of sales method, and it is a method.

The strength of this method is that it is simple.

The weaknesses are that it is simple! Too simple! Life is not always simple, and when this method is employed, it creates downstream issues.

Sales can rise or fall dramatically in seasonal years. Either way, overhead gets added or subtracted. However these larger swings are misleading. If many trips are made to a job and the job sucks up production capability, sales can go down, as labor goes up, and of course overhead is rising directly with labor – added trips and vehicle costs. However, in this example, the department that is creating the labor and overhead is NOT penalized, sales have gone down. So the department that truly gets penalized are the departments where sales were at target. They accept the more of the overhead burden even though there sales did not go up, simply the other department sales went down. As a percentage their share of sales or the company "Mix" is larger and accepts more overhead.

Management Discretion Method:

Just as the name implies, "Management Discretion" allows a manager to simply assign the costs. This can be very simple and also complicated. The method's efficacy depends entirely upon the logic and communication within the company.

Logic:

In simplest terms the logic is look at the operating expense (chart of account) and if it is not direct expense or labor driven from production, and you cannot make a case for sales driving it, then the remaining method is…you guessed it… Management Discretion.

Examples: Rent, Owners Salary, Consultant Expense, Industry Groups Fees

There are many examples. Most of our overhead items that are administrative expenses will fall into this category of allocation. Why? They are there no matter what and really do not move up or down based on anything except a beginning budget.

In reality, any method could work with these accounts, so why managers discretion?

The issue with the other methods not being quite as effective with these kinds of operating expense accounts is, if the department grows and has a prosperous period, they collect more overhead because of their success.

Secondly, if you are utilizing a predetermined budget, the pricing strategy that comes into play (such as Dual Overhead, or Overhead per crew day – based on GP $ per man-day) will be adversely affected as overhead is applied to the growing department while the other departments under performing could see a reduction in the general operating expenses.

It is entirely possible to see a department grow and another department not grow or hit target, and since the overhead is the exact same in dollars, the company could hit the budget and apply excess operating expenses to the growth department. This has the net effect of penalizing the growth department. Since the dollars are the same, the department that does not grow will see a reduction in overhead. This has the net effect of improving that department performance and possibly compensation even though they did not hit target?

So, the “Management Discretion” method eliminates that possibility. Since the accounts are stable and are dollars based, not percentage based, the initial assignment of overhead is one of two keys. Meaning, the allocation method is agreed upon and known, and the team knows these dollars are coming to the departments to be “Absorbed” no matter what, the reality will sink in quickly this burden HAS to be overcome to make the department profitable.

If compensation is structured well, the recognition of the overhead being recovered will also sink in quickly so to get bonuses and maximum compensation, the department team will go forward with the right target and mindset.

Communication:

Everyone on the team needs to know, and buy into the allocation of the management discretion. Any disputes need resolved before a target is assigned and applied. Disagreements are fine, but use this model to resolve the disputes:

Discuss –	Discuss the chart of accounts Get feedback on assignment of manager’s discretion
Conclude -	Make Team conclusions. Feedback and change is always an option. Get agreement by the team. Democracy? Silent ballot? Whatever works! Resolve any potential disputes in the room with all present. Conclusions are outlined and put on a board/paper for review.
Commit -	Commit the ideas are agreeable. All hands in the center and say Yeah Team!
Create -	Create the operating expense chart with assigned percentages. Pass this around to the team for final communication. This insures no miscommunication.
Execute -	Bookkeeping function assigns the account percentages and the company has it’s organized overhead and a team that has agreed and bought into the structure.
Feedback -	From the beginning, the opportunity to create feedback is available. Changes require the team to agree, not just one person. Welcome to leadership and management!

Added Concepts for Allocation of Overhead:

As discussed, allocating overhead is the process of assigning operating expenses in a company to various departments. **We do this for the simple reason that we want to know the costs of operating in a segment.**

We want to know because we can use this information to better operate and make decisions.

We can easily get the gross profit dollars by business segment. This is the simple matter of organizing chart of accounts into our segments, and organizing our forms!

When we are departmental to the gross profit line, we can see clearly where labor is producing. Where we used/purchased equipment and materials and so forth, but we cannot see is the actual cost of operating in those segments. We lack the visibility of how labor is actually driving our overhead.

In order to get this insight, we have to break down the overhead into the segments.

As mentioned earlier this is part science and part art. Here are some leadership concepts to consider:

Concept 1: Let the managers take part and create buy-in:

Set-up a manager meeting for the purpose of reviewing overhead allocation in the company. Even though there are numerous people who will claim this can be a negative, it is simply not been our experience. It is truly a positive. Can or will there be arguments? Yes, probably. If you feel confident in your leadership abilities then this is most definitely a positive. Change is good. It doesn't always feel good at the beginning, yet after the dust settles and the process is explained well, and the managers understand overhead is being allocated and they have a say as to how, the potential for arguments turns to reasoning.

This process creates FOCUS! Once I know what I am handed as far as overhead, I simply have to perform now!

Concept 2.

You are going to have to assign percentages to certain accounts. Whereby the bookkeeper uses these percentages to apply to the account monthly.

Come to meeting having assigned your own percentages. Anywhere there is management discretion noted, have the percentages you think already assigned and organized. If the chart of account is labor related, then have the labor costs for each department organized. Create the departments labor as a percentage of the total labor for the company payroll. This will speed things along and make for less hostility during the meeting. Most of them will be easy and agreeable.

Concept 3: Come prepared with a sample in hand to discuss:

Rather than have everyone give an opinion on every angle. Come to the management team session with a breakdown of the accounts and then go through them from this reference point. The process will go faster. If everyone has a copy of the P&L and chart of accounts, with your figures already estimated, you can present this as a session to “Refine”, as opposed to “Define”! Defining takes a long time and creates more conflict. You may find it wise to use certain key managers individually to ask questions as you create your list, creating an ally and buy in on certain accounts.

Concept 4 - Software/Automation

It pretty much goes without saying you need to have a software system that allows you to automate these accounting processes.

Quickbooks or a basic accounting package will not allow this to occur efficiently. Quickbooks can accomplish the task but with added effort, in some cases significant effort.

An integrated software package such as Successware, or Compusource, or TMS can execute the accounting disciplines with one entry of a check. The software asks for assignments, and those percentages are established based on a budget. Whatever those assigned percentages are the automated functionality of the software allows one ledger transaction to occur, and the spread of the overhead is completed seamlessly.

If you want additional information on software, evaluate the software article on the web site, and conduct your research for the best available software for your company.

Concept 5 - Departmental Contribution Margin – A Method for Paying and Managing

What is this Concept?

Departmental contribution is very simple. As a concept it states that private companies have a different idea about showing profit than do publicly held companies. So we want to pay our managers in our company based on what they produce, and create maximum accountability.

So, we take the overhead (operating costs) and separate those areas of overhead that are "controllable" into one category, and those areas that are "Corporate" in nature into a second category.

Why?

To create maximum accountability for departmental performance and pay based on this accountability. We want all of our people to realize they are truly bound by performance and not by a pay plan or profit sharing plan that includes the private owners interests. Those private interests are fine, but not as a leadership paradigm where you are getting people to "Believe" you are making them accountable for performance, where they have little or NO control over outcomes.

So the principal "**WHY**" is to demonstrate and align the way we operate, pay, review, establish resources, promote and anything else that deals with leadership in a manner reflective of performance that a manager actually controls.

How do we use it - Look at the Next Page:

The dollars produced by each business segment in gross profit have direct controllable expenses subtracted (some say applied) to yield a department contribution. We use it to establish a benchmark and a budget. We want that budget to be the TARGET! We can then pay above target if we choose. Obviously, the target is set to cover the corporate expenses so the company still reaches its overall profit target.

Controllable expenses are handled by department heads or managers and not influenced by any private owners' personal habits or interests. The goal is to separate out any expenditures that are outside the influence of the department personnel, so accountability is at a maximum.

In essence, it takes a service manager and focuses accountability for the service business segment on his/her decision-making. We establish a target budget for contribution, then set-up bonuses beyond target. A company bonus can also be established based on a company contribution target being met.

It is KEY, that what an owner pays him or herself is simply not relevant to the employee managers pay plans. So the extra manager bonus, car, daughter or sons auto are all outside the scope of the department managers pay plan, yet still has the same effect of operating profit being reduced.

This allows total accountability and control over production of department contribution.

Sample Departmental Contribution Income Statement

	Add-on	New Home	Service Demand	Service Sales	Maint
Sales Revenues					
Cost of Sales					
Direct Labor					
Materials					
Equipment					
Benefits – Fringes					
Warranty Reserve					
Commissions					
Permits					
Subcontracts					
Total Cost of Sales					
Gross Profit $$					
Controllable Overhead					
Marketing					
Yellow Pages					
Direct Marketing					
Vehicle Related					
Gasoline					
Vehicle Lease					
Depreciation Expenses					
Maintenance					
Auto Insurance					
Employee Related					
Plant & Equipment					
Administrative Burden					
Departmental Contribution					
Corporate Overhead Burden					
Owners Salaries					
General Liability Insurance					
Legal and Accounting					
Rent/Building Lease					
Consulting Fees					
Earnings Before Interest & Taxes					
Taxes					
Interest					
Other Income					
Net Income After Taxes					

These are the direct costs of the jobs you perform. They are known as cost of sales because they move with the sale. No sale, no costs associated with the sale. When we sell, these costs are generated. When we sell well, at a higher price, the costs are lower in the form of percentages. When we discount or sell at a lower price, these dollar costs remain the same, but the percentages are raised due to a lower selling price.

Controllable overhead is that set of operating costs that are truly controlled by a department head or manager. They are the expenses that we can make a manager accountable for maintaining discipline to a budget. They can go up or down based on a manager's ability to operate well, be innovative, and disciplined. We use these in this area to create compensation for departments, based on the contribution each segment gives to the company. Since each segment has a manager in charge, it is fair to make them accountable for the "Whole" P&L and process, and not just sales and gross profit.

The net between selling well and controlling expenses.

The managers in our operation DO NOT control our private spending habits or our tax related ambitions. So, separating these out into a corporate overhead category that gets spread evenly across each department, no longer penalizes the manager.

Sample Departmental Contribution Income Statement

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Benefits – Fringes					
Warranty Reserve					
Commissions					
Permits					
Subcontracts					
Total Cost of Sales					
Gross Profit $$					
Controllable Overhead					
Marketing					
Yellow Pages					
Direct Marketing					
Vehicle Related					
Gasoline					
Vehicle Lease					
Depreciation Expenses					
Maintenance					
Auto Insurance					
Employee Related					
Plant & Equipment					
Administrative Burden					
Departmental Contribution					
Corporate Overhead Burden					
Owners Salaries					
General Liability Insurance					
Legal and Accounting					
Rent/Building Lease					
Consulting Fees					
Earnings Before Interest & Taxes					
Taxes					
Interest					
Other Income					
Net Income After Taxes					

Business as usual – no differences in these areas other than pay is no longer tied to this area

Direct expense is used

Targets need assigned and tied to compensation

Management Discretion is used

Use of the Contribution Margin Example - Compensation of Managers

The only real point of choosing the model on page 14/15 is based on compensation for mid-managers. Since they are being assigned responsibilities for their departments, establishing compensation systems that mirror their performance is desirable.

If you do not want to create autonomy, don't bother with this structure. It doesn't apply.

If you are trying to build a management team that has more of an entrepreneurial style within each department, then the structure makes very good sense.

The structure and organization of the departmental contribution margin P&L, is designed to allow any manager to be paid directly for their accountable performance.

As we mentioned earlier, it is essential that communication, clear expectations, buy in and all other leadership considerations be employed and the managers understand completely how they are paid.

Step-by-Step to Overhead Allocation

The one assumption here is the company is already departmental to the gross profit line on the profit and loss statement. If not, refer to the other articles and becoming departmental on the gross profit line.

Second, and overall strategy should be identified regarding why the company is breaking out its operating expenses. Is the company using this for pay purposes? Is the company using this for setting up new pricing strategies? Why and how the information is used is very important for communicating with the employees.

Third, a solid operating software platform should be in place. It is essential the operating software has the capability to support this function, so additional transactions in bookkeeping and administration are avoided.

Step 1 - Choose you chart of accounts for operating expenses. Define what operating expenses the company needs to track. Involve the book keeping function.

Step 2 - Assign the way overhead will be treated to each operating account. What method will be used. It is a good idea to create buy-in with any managers here.

Step 3 - Assign the method & percentages of how each account will be applied. How the book keeping function will break out checks, or invoices.

Step 4 - Have a team meeting with your key staff/managers to determine the allocation process. Explain the initial attempt, and ask for feedback.

Step 5 - Send them a copy of the allocation as you see it asking for preparation for the meeting and ask them to come prepared for discussion and finalization.

Step 6 - Have key members of your team review the notes you are creating individually as you develop step 3, and get their input privately. So you have a reference in the session and so there is buy-in by someone other than you in the session.

Step 7 - Begin assigning the percentages.

Step 8 - Each month have the bookkeeping function organize the chart of accounts to reflect the new assigned percentages.

Step 9 - A strong recommendation is to have the benchmarks, or key performance metrics for the company mapped into a report against the P&L once it is departmentalized fully and all figures are verified.

Why is this Critical to Your Success?

1. Understanding the profit and loss statement in business is important to all business owners. Taking your company to the next level requires you to know "why" the profit occurred in the segment.
   Having each business unit/segment accountable for what they produce is the start of better, more informed decision-making.
2. Knowing the profit contribution in a given segment can be a significant improvement in the ability of a manager to make decisions. Decisions such as accepting or declining work based on overhead recovery.
   a. When do you accept work in your slower periods and why? The question gets answered far more easily if you understand where you overhead actually comes from in the company.
3. Having the overhead spread properly, and consistently into various departments that own the costs, can highlight issues such as where to grow.
   This process also highlights where you may have opportunities to grow your sales without adding much more overhead costs in terms of dollars. Service may be an example – where large dollars exist and growth can occur without adding significantly more. As you highlight this, the add-on or commercial departments may bear less of the dollar overhead costs, freeing up the estimating process to attack the market. The intent here is to recover as many overhead dollars as possible, especially during slower periods.
4. Being able to directly compensate personnel in the company on controllable areas, such as sales, direct costs and purchasing issues, labor control, and finally controllable operating expenses allows you to make employees like mini-owners of their segment. This creates a level of accountability that cannot be matched unless the segments have overhead applied.
5. Pricing strategy can now be adapted due to the application of overhead to segments. Many opportunities exist for contractors to review jobs, large and small. Even high labor jobs may be viewed differently if the overhead was applied and the company can estimate or price knowing certain segments require certain recovery.
   The company IS the SAME as always. However now you begin looking at the workings of the company become more fact based tying in pricing strategy.