

Costing/Budgeting/Billing

From the time you begin work on a project until it is completed, you must keep a detailed account of the time and costs created as a result of the project. This is essential to maintaining credibility with your client and providing a benchmark of performance.

The only thing that ensures the accuracy of a client invoice is the completeness of your records.



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The method:

- Start a job folder
- Assign a number to each project and identify it with the number and description of the project
- All material relating to this project should go in the folder: correspondence, time sheets, design proposal, estimate, design briefs, etc.
- Expenses
- Meeting notes



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- Develop a project estimate and staple to inside of folder - this information is useful for the project at hand but also for estimating similar jobs in the future.
- Use the information in the folder to develop an invoice for the client
- For example, you and your client may wish to invoice the client for a retainer of 30% at the outset of the project, you may invoice on an interim basis throughout the project, or invoice upon completion.



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- Send invoices on-time and stay on your accounts receivable.
- Keep a list of invoices sent out, with date, job #, description (binder)
- Have a column to mark when invoice is paid
- If payment not received within 45 days call to enquire when payment will be sent
- If the invoice is not paid in 60 days, send a statement marked "Past Due"
- If the invoice is not paid in 90 days stats show it is unlikely to be paid



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- Cancellation fees (“kill fees”)
Sometimes clients cancel projects after work has begun for reasons not within agency’s control.
Some sources suggest a cancellation fee (50%);
others recommend all time and expenses be billed
Ensure you have a policy in place. Also discuss your policy with suppliers, including photographers;
illustrators, copywriters.



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Remember:

“No client wants to be surprised.”

- Time invested in planning is well spent
- Avoids rework, error, delay and increases client confidence
- Clients may have specific requirements which you will need to address and follow if you agree to accept the project/contract



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Be Aware:

- Do not start any project without a signed copy of the estimate attached to your job folder.
- Without a signed estimate, you have almost no legal recourse in Canada if the client does not pay the bill or challenges you on your costing after the project is completed.
- Get a purchase order, or letter of confirmation
- Ensure the terms, conditions and scope of work on the order match those on your estimate



Definitions

- Accounting - recording, analyzing and interpreting financial data.
- Accounts payable - money owed to a business to suppliers for goods and services produced.
- Accounts receivable - money owed to a business by clients for goods and services provided.
- Assets - anything tangible or intangible - that a company owns which can be expressed in monetary terms. Assets can be owned, purchased or sold.



Definitions

- Billing rate - the rate used to charge clients for services (costing)
- Budget - a financial plan for how money will be received and spent over a certain period of time.
- Business-to-Business - to provide a product to another business (distributor or wholesaler) which they then sell to the end user



Definitions

- Cancellation fee or “kill fee” - fee paid to a company when project is terminated for reasons not within the control of the service-provider.
- Capital - anything invested in a business that can be used to produce goods and services and thus earn money. Capital Assets - possessions (computers) which are not purchased or sold in the normal course of business but can be used to make goods or provide services and therefore make money. Long lifespan, more than a year.
- Cash flow - the inflow and outflow of funds available for the regular costs associated with operating a business. Cash flow should be enough to pay the expenses associated with earning income.

