Step by Step to Departmentalizing a Company

Goal #1:

Install Financial Structure – A departmentalized profit and loss statement, which defines service (Service demand, maintenance, service sales and extended warranty) by January 31st, (YEAR).

Action Steps	Accountable	Timeline	Resources Required
1. Define the chart of accounts that meet the company goals – Service Labor Sales, Service Parts Sales, & maintenance plus all other departments.	Owner & Bookkeeper		None
2. Chart of accounts for cost of sales for each revenue account are: Direct labor, materials, equipment, Labor Benefits, permits, sales commissions, warranty reserve, sales salaries, extended warranties, subcontracts, buy downs & financing.	Owner & Bookkeeper		None
3. Break down the overhead below the line on the financial statement. Do this: a. Create the proper chart of accounts for Overhead b. Go through each chart of account and use allocations based on direct expense. The department that owns the expense gets the expense. c. Second, those accounts that do not have direct expense use percentage of labor in the department as a percentage of the total labor of the company. This creates a ratio. Allocate the overhead accounts that you determine move with labor, by applying this ratio. d. Finally, if there are any remaining accounts then you need to allocate the overhead based on manager discretion. e. The overhead is now applied in each segment, and is based on how a company operates. Use this for pricing and making decisions.			
4. Adapt time sheet, and materials list, adapt service ticket, purchase order system, materials requisition, to reflect the departmental areas – code the time sheet so as to make it exactly what the departments on the profit & loss statement are.	Owner & Bookkeeper		New Company forms $ 2,000
5. Set up the chart of accounts in the software. Chart of accounts will follow the ledger codes.	Owner & Bookkeeper		

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6. After P&L structure is set-up, train all personnel – a company meeting MUST be held – answer all questions – allow them to understand what departmentalization is, and why they need to complete their time tickets correctly.	ALL Personnel		
7. Managers to collect all time tickets and service invoices for first month and review them in detail; to be sure accuracy and times are being properly completed. This allows for immediate feedback and retraining occurring (individually) as needed.	Owner & Dept. Managers		
8. Bookkeeping function to begin entering in the data at the beginning of a new month accounting cycle.	Owner & Bookkeeper		

Obstacles:

Bookkeeper challenges - resisting changes, not filling time cards out properly, poor writing, not turning in paperwork timely, and not filling in parts and labor separately on service invoices.

Contingency Plans:

New bookkeeper, Tie Field personnel reviews and raises to paperwork, Fire someone as an example – service manager or install manager, tie manager bonuses to proper completion.

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