ACCOUNTING 4 TRADES

Managing the Books at Every Stage

How an HVAC owner should think about the numbers, and the systems behind them, as the business grows

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Most HVAC owners are great in the field and flying blind on the numbers. The problem is that what you need to watch changes as you grow, so the advice that fits a one-truck operator is the wrong advice for a five-truck shop. This is how I think about it, stage by stage: what hurts, where owners get it wrong, the numbers that actually matter, and the system to run at each point. Start wherever sounds like you.

> **The two you never stop watching:** gross margin (are you underpricing?) and net margin (is overhead bloating?). These matter at every stage, at $200K and at $5M. Everything else in here is a finer cut of those two.

At each stage I also call out the **one number** that's the sharpest lens to add right then — the finer cut that matters most at that point. It doesn't replace the two above. Targets are rules of thumb; they move with your market and your mix.

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0 Before the leap — getting ready to go solo

Roughly $0–$150K, one truck (or about to be). Still on someone else's payroll, or just gave notice. Great tech, never run a business. This is the scariest and most important financial stretch there is, and almost nobody plans it.

The shift: you're about to stop being a tech who gets paid and start being an owner who has to make sure everybody gets paid — including you, and you're usually last in line.

What hurts

- The Friday paycheck is going away and nothing guaranteed replaces it. That's a bigger mental shift than most techs expect.
- No real idea how much cash it takes to start, and to survive the slow first months before the phone rings steady.
- The spouse is nervous. Money fights at home kill more new shops than bad workmanship ever will.
- Everybody says "just go for it." Nobody hands them the numbers.

Where they get it wrong

- Running everything through the personal checking account "for now." That "for now" turns into a two-year bookkeeping mess and a cleanup bill.
- Underestimating startup cash — truck, tools, insurance, licensing, and the dead weeks with no revenue.
- Buying the $75K wrapped truck before there's a single paying customer.
- Starting work before the license, bond, and insurance are actually active. One claim ends the business before it starts.

- Not setting anything aside for taxes from dollar one. The first April is brutal when it's a surprise.
- Pricing scared — taking the first jobs cheap to win them, then anchoring your prices there forever.

The numbers that matter

- **Personal survival number —** what your household costs to run for one month. This is the floor everything else sits on.
- **Startup + runway —** the real cash you need in the bank before you quit, not the optimistic version.

The system at this stage — keep it dead simple

- **Banking:** open a business checking account and get an EIN before the first dollar moves. Building the wall between personal and business now is the cheapest thing you'll ever do and it saves you thousands later.
- **Scheduling:** a Google Calendar is fine. Don't buy software yet.
- **Books:** set the chart of accounts up right from day one, with COGS split out — materials, labor, subs. The day you want to know your margin, the books can actually tell you.
- **Everything else** waits until there's money coming in.

> **The one number:** Personal survival number. If the business can't clear your household nut plus its own overhead plus a little profit, you didn't replace your job — you bought yourself a more stressful one.

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1 Solo and running — one truck, the money leaks start

Roughly $150K–$400K, one truck. Phone's ringing, invoices are going out, you're working 70-hour weeks. Making money on paper and can't figure out why the bank account never shows it. This is where the quiet bleeding starts, and it's invisible until you go looking.

The shift: from "did I get paid?" to "what did that job actually make?"

What hurts

- Busy but broke. Revenue looks fine and the account is always tight.
- Cash is feast or famine. Flush after a big install, scrambling for materials two weeks later.
- No idea which jobs, or which kind of work, actually make money.
- Paying yourself last, or whatever's left, which some months is nothing.
- The tax bill blindsides you, because nothing got set aside during the year.

Where they get it wrong

- Pricing off the old boss's rate. You don't know your own break-even, so you're copying a number that may have never made sense for your costs.
- No job costing. You quote the install off feel, the crew burns two extra hours and a second trip for a part, and you never find out the job barely broke even — so you quote the next one exactly the same.
- Treating the deposit like profit. That money down isn't yours yet. Spend it and you're short on materials for the job you took it for.

- Not collecting in the driveway. You leave the residential job open and then chase the customer for 30 days.
- Commingling and DIY QuickBooks. Six months of personal charges and miscoded deposits become a cleanup project.
- No tax reserve. You spend like the gross is all yours, then the return shows up and there's nothing set aside.
- Friend-and-family discounts and "while I'm here" freebies that quietly gut the margin on half your jobs.
- Leaving maintenance agreements on the table — the recurring revenue that smooths out your slow months.

The numbers that matter

Number	Target	Why
Gross margin per job	~50% on installs	Under target means you priced it wrong. You want to know before you bid the next one, not at tax time.
Owner's pay	A planned line	If you're the residual, the business is training you to work for free.
Collected at completion	Near 100%	Getting paid in the driveway is the single fastest fix for solo cash flow.

The system at this stage

- **Banking:** add the Profit First accounts — income, owner's pay, tax, operating. Even done rough, it stops you treating the whole balance as spendable.
- **Business credit card, with caution:** good for clean separation, points, and a little float. It is not working capital. If you're carrying a balance to cover operating costs, the real problem is you're undercapitalized or underpriced. Pay it in full.
- **Field service software:** this is where I'd get them on Jobber or Housecall Pro. Not for job costing, that part's weak. For the fact that they'll learn the system while the business is simple, and it runs scheduling, dispatch, invoicing, and collect-at-the-door out of the box. Putting it in now beats ripping it in later when you're drowning and hiring your first tech.
- **Job costing:** be honest with them — the FSM won't cost jobs well, so at solo the margin picture lives in QBO Projects, or you hand-enter actual costs against the job in the FSM. That's great for costing but it won't sync to QuickBooks, so it's double entry. Either way, don't try to cost all 200 jobs. Cost your installs and a sample, enough to fix your pricing.
- **Getting paid:** invoice and collect on completion, residential especially. Card and ACH at the door.
- **AP and receipts:** snap every receipt (QBO is fine to start), and start using vendor terms. Net 30 from the supply house is free working capital.
- **Payroll:** once you're an S-corp, run owner payroll through Gusto or Patriot so your pay is a real, scheduled thing.

> **The one number:** Gross margin per job. It's the difference between a business and a very stressful hobby.

2 First hires — more trucks, less money

Roughly $400K–$1.2M, 2–4 trucks. You added a tech or two, maybe an office person. Revenue is up. And somehow there's less money in the bank than when it was just you. This is the wall almost every shop hits, and it's where a lot of them stall out or quietly go backward.

The shift: from "am I profitable?" to "which work is profitable?"

What hurts

- More trucks, less money. Revenue grew, profit shrank, and nobody can say why.
- Can't tell which crew, which trade, or which kind of job is carrying the company and which is dragging it.
- Payroll cash crunches. The biggest bill in the business now lands every two weeks whether the customers paid or not.
- You're still doing the invoicing at 9pm because the office isn't really built yet.
- Callbacks and warranty work quietly eat margin, and nobody's measuring what they actually cost.

Where they get it wrong

- No labor burden in the cost. You count the tech's wage but not the payroll taxes, comp, benefits, truck, fuel, and windshield time. So a "profitable" job is actually losing and you can't see it.
- Overhead never gets recovered in the price. Rent, office wages, software — none of it baked into the rate, so every job quietly underpays for the building it runs out of.
- Hiring a second tech before an office person. The bottleneck is usually the phone and the schedule, not the field.
- Blending service and install into one margin number. They behave completely differently, and blended they hide each other's problems.
- Letting AR drift because everybody's too busy to chase it.
- Comp plans that don't tie tech pay to profitability or efficiency. You pay the same whether the job made money or not.
- The owner is still the best tech in the company, so nothing runs without him and the business can't scale.
- Not raising prices as costs climb, so last year's margin quietly becomes this year's break-even.

The numbers that matter

Number	Target	Why
Blended gross margin	~45–50%	Always split service vs. install underneath it. One is probably subsidizing the other.
Overhead % of revenue	20–35%	If it climbs faster than revenue, growth is making you poorer.
Break-even hourly rate	Known, priced above	Charge $85 when you break even at $90 and every billed hour costs you money.
AR over 30 days	Minimal	Growth eats cash. Drifting AR turns a profitable

Number	Target	Why
		month into a payroll scramble.

The system at this stage

- **Field service software:** still Jobber or HCP as the operating system — dispatch board, service agreements, the works.
- **Job costing (the crux at this stage):** when you evaluate any software, look at everything it does — dispatch, scheduling, invoicing, quoting. Then, for profitability specifically, ask one more question: can it take actual expense costs so job costing can live in the FSM? Jobber and HCP can. You enter actual material costs against the job and it's genuinely good for costing. The catch is it won't sync to QuickBooks, so it's duplicate entry in both. It's still worth doing to stay on top of profitability. Labor is the easy half — FSM time tracking plus a burden rate gets you actual hours at real cost. And don't cost everything: cost by exception. When the monthly review shows a job type coming in soft and you don't know why, that's when you pull those jobs apart and find the leak.
- **The holy grail** would be automation that pushes your actual costs into the FSM for you, so nothing's hand-entered. Nobody has productized that for Housecall Pro or Jobber yet. So for now the honest answer is the manual method above, done consistently, with cost-by-exception keeping it from taking over your life.
- **People:** payroll on Gusto or Patriot, and now time tracking against jobs so labor lands where it belongs.
- **AP and cards:** this is where Ramp shines — corporate cards with spend controls, bill pay, and receipt capture in one place. Because it's a charge card paid in full each month, it keeps you off revolving debt by design. Vendor terms are still your cash-flow lever, so protect those relationships — they're floating your materials.
- **Books:** monthly close and a real variance review start earning their keep. This is usually where an outside firm pays for itself.

> **The one number:** Fully-burdened gross margin, split by work type (service vs. install). The blended number lies; the split tells you where the money actually is.

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3 Small fleet — a real business you can't see by feel

Roughly $1.2M–$5M, 5–15 trucks. Departments, a team, and an owner who can't hold the whole thing in his head anymore. The gut that got you here stops being enough, and the decisions get expensive.

The shift: from working in the business to reading it. Decisions off the numbers, not the gut.

What hurts

- "I can't see the business anymore." Too many moving parts to track by feel.
- No idea which truck or department is dragging the average down.
- Hiring decisions are guesses — when, who, and whether you can even afford it.
- Tax surprises, because nobody looks at the numbers until the return.

- Owner buried in operations instead of steering the company.
- Growing broke — revenue and headcount up, working capital stretched thin, one slow month from a cash crisis.

Where they get it wrong

- Running the whole company off one P&L. At this size you need it broken out by department or trade, or you're flying blind on what's actually working.
- No budget, so there's no budget-vs-actual, and drift goes unnoticed for months.
- Blind to revenue per truck, which is the cleanest read on whether you added capacity or just cost.
- Ignoring AR aging until it turns into a cash problem.
- No monthly review cadence, so problems show up in April instead of when you could have fixed them.
- No handle on customer acquisition cost or marketing ROI — spending on ads and leads with no idea what actually pays back.
- Department managers with no P&L in front of them, so nobody below the owner owns a number.
- Books not clean enough to borrow against or sell. The day you want a line of credit or an exit, the mess costs you.

The numbers that matter

Number	Target	Why
Net profit margin	~8–15%	The scoreboard. Under the range, something structural is leaking.
Revenue per truck	Tracked, trending up	Falling means you added cost, not capacity.
Departmental / trade GP	Each pulls its weight	Shows you the department the others are quietly carrying.
Budget vs. actual	Reviewed monthly	No budget, no variance, no steering.

The system at this stage

- **Field service software:** this is where ServiceTitan (or an equivalent) finally makes sense — real PO-driven purchasing, native job costing, departmental reporting. Around 20+ techs the price stops being crazy relative to what it does. The job-costing headache from the earlier stages mostly goes away, because costing is built into the job flow instead of hand-entered.
- **Banking:** add a line of credit and run a rolling 13-week cash flow. Payroll timing matters too much at this size to wing it.
- **Books:** departmental P&L, a real budget, and a monthly close with a reporting layer so you see the business without digging for it.
- **People:** departmental labor tracking. The office is a real function now, not a nights-and-weekends job.
- **Compliance:** sales tax and 1099s get automated. Too much volume to hand-run.

> **The one number:** Net profit margin, backed by a departmental P&L. One tells you whether you won the month; the other tells you why.

The honest truth about job costing

This is where these shops get hurt the most, so I'll be straight about it. For a residential HVAC shop on QuickBooks Online, below ServiceTitan size, there is no clean, off-the-shelf answer. The tools that do job costing well built it for QuickBooks Desktop or for enterprise. The platforms the industry actually runs on — Housecall Pro and Jobber — never built purchasing or expense-to-job, because their market didn't ask for it. That's not you missing something. It's a real hole.

Here's how I'd actually handle it:

- **Evaluate the software on everything it does** — dispatch, scheduling, invoicing, quoting. Then, for profitability, ask one more question: can it take actual expense costs so job costing lives in the FSM?
- **HCP and Jobber can.** You enter actual material costs against the job and it's great for costing. It won't sync to QBO, so it's double entry, and it's still worth doing to stay on top of profitability.
- **QBO Projects is the cheaper, lower-quality option.** It works, but it doesn't even know when a job is done — it's an open bucket forever — and it clutters the books.
- **Labor is the easy half.** Time tracking plus a burden rate gets you actual hours at real cost with barely any extra work.
- **Don't cost every job.** Cost the jobs your numbers can't explain. When the P&L flags a job type coming in soft and you don't know why, that's when you pull those jobs apart.

A few newer tools claim to close this gap. Kick the tires yourself before you trust the marketing. Until someone actually builds it, the real Phase 1–2 answer is actuals entered by hand in the FSM plus costing by exception. It's not elegant, but it's honest, and it's more than most shops your size are doing.

A few things that stay true at every stage

- Revenue is vanity, margin is sanity, cash is king. Every stage, in that order.
- Your books are a decision tool, not a tax chore. Look at them once a year and they're working for the IRS, not for you.
- The number you're avoiding is the one that's bleeding you.
- A deposit isn't profit. It's someone else's money you haven't earned yet.
- Hire to your next constraint, not your current one.

Quick reference — the system at a glance

The whole stack in one view. Tools shown are representative, not the only options.

System layer	Stage 0	Stage 1	Stage 2	Stage 3
Banking & separation	Biz checking, EIN, the "wall"	+ Profit First; card w/ caution	Automate allocations	+ credit line, 13-wk cash flow
Scheduling & dispatch	Google Calendar	FSM scheduling	FSM dispatch board	FSM + routing (ST)
Field service software	—	Jobber or HCP (learn it early)	Jobber / HCP	ServiceTitan (~20+ techs)
Invoicing & getting paid	QBO invoice	Collect at completion via FSM	FSM + service agreements	Departmental billing
Payments & financing	Card / ACH	Card at the door; financing	Manage fees; financing	In-field financing (ST)
Job costing	Not yet	QBO Projects OR manual entry in FSM; by exception	FSM actuals (double entry) + burden; by exception	ServiceTitan native (PO-driven)
AP & receipts	QBO capture	Dext as it grows; vendor terms	Ramp (cards + AP); vendor terms	Dext / Ramp + AP workflow
Payroll & time tracking	—	Owner payroll (Gusto/Patriot)	+ time tracking, burden rate	Departmental labor
Sales tax & 1099s	Learn state rules	Collect/remit; W-9 first	Remit; file 1099s	Automate (Avalara); 1099s
Books, close & reporting	Trades COA (COGS split)	Monthly reconcile + P&L	Monthly close + variance review	Departmental P&L, budget-vs-actual

Quick reference — the numbers

Number	Target	Matters most at
Personal survival number	Covered before you leap	Stage 0
Gross margin per job	~50% on installs	Stage 1–2
Owner's pay	A planned line item	Stage 1+
Collected at completion	Near 100%	Stage 1
Fully-burdened labor	Loaded into every cost	Stage 2
Overhead % of revenue	20–35%	Stage 2–3
Break-even hourly rate	Known, priced above	Stage 2
AR over 30 days	Minimal	Stage 2–3
Net profit margin	~8–15%	Stage 3
Revenue per truck	Tracked, trending up	Stage 3
Departmental / trade GP	Each pulls its weight	Stage 3