MORS

Multiple Overhead Recovery System

Developed by

Vander Kooi and Associates
and
Sensible Software, Inc.

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Foreword

MORS is the acronym for the Multiple Overhead Recovery System. MORS is a computer program that implements the methods and procedures discussed in Charles Vander Kooi's book *"The Complete Business Manual for Landscape, Irrigation, and Maintenance Contractors"* for overhead recovery. MORS is NOT an operating Budget program.

MORS collects a company's business data, compiles the data, stores it in a database and then processes the data to calculate the Labor Rate multiplier needed to recover the expenses in operating the business. The calculations would then be used in the preparation of work estimates and proposals. Sensible Software's *"BidRight*" is an excellent program for developing bids and estimates.

It is recommended that you have a basic understanding of the Vander Kooi Overhead Recovery principles and how it applies to estimating. Remember, MORS is an overhead recovery budget for estimating and NOT an actual operating budget.

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The Vander Kooi MORS Concept

It is important that you understand the basics of the Vander Kooi budgeting overhead concepts.

Following is a reprint from Charles Vander Kooi's book "The Complete Business Manual for Landscape, Irrigation and Maintenance Contractors".

When I talk about overhead recovery with regard to estimating, I am not talking about the overhead your accountant shows on your financial statement. Accountants are really historians: They are keepers of the historical financial records of your company. They talk and work in the past tense. As a contractor, you are a futurist. You must put a price on a future job with your future overhead built into the price so, when you are in your future doing the future job, you will recover your future overhead. Did I get the word future into that concept enough?

You are a futurist! Consequently, you cannot use the overhead your accountant gives you now or you will be going out into your future and recovering the overhead of your past, a practice that will definitely put a damper on your future success.

You need to use your accountant's financial records as a reference to do your budgeting. You will look at what you spent last year for an area and ask yourself if the amount of increased or decreased business you intend to do this year will lower or raise the costs from the previous year. Sometimes you can increase your business without increasing overhead in certain areas. Sometimes a decrease in business will not decrease all overhead items because of the decrease in sales. Each item must be considered in that light. Also, certain items may be increasing because of inflation. When you fill in next year's budget for each item you will need to be a futurist and project what next year's cost will be based on these considerations. The other reason this overhead budget is not based on your accountant's overhead is that your accountant has included things in overhead that we have put in equipment costs or labor burden. They are covering their costs in those areas. Some examples are equipment depreciation, interest on equipment loans, maintenance of equipment, licenses, fuel, insurance on equipment, payroll taxes, and payroll insurance. Many times these items are in overhead as your accountant has defined overhead. However, we put those costs either in the daily or hourly cost of your equipment or into your labor burden percentage. There are equipment costs in overhead, the cost of the equipment used by overhead people. And, there are labor burden costs on overhead salaries, which you calculated as an office labor burden percentage. These items will be added into the overhead budget based on your calculations rather than on the accountant's figures. The important thing to focus on when you are going through your financial statement and using it to make a budget is that these things will be taken out of your accountant's overhead and your overhead. In Section Four, Chapter I of this book there is a chapter dedicated to financial formulas that we would recommend your accountant using to make budgeting easier, and to give you the ability to compare your budget to your actual finances .In the back of this chapter is a form we want you to use to budget your overhead. We suggest you make a copy of it to work on in pencil, because you will be making more than one change to your figures as you work through them.

Before you start, we must talk about one more consideration in the budgeting process. If you have more than one division (what some people call a profit center), you will need to come up with an overhead budget for each division.

Let's first define what a true division is and is not. I recommend that contractors set up a division only when the divisions are doing things that are dissimilar. For example, I would not set up a landscape division and an irrigation division. Landscaping and irrigating are similar. They are both contracting, and they both require you to send out material, labor, and equipment to do a job. There are four true divisions in this business that are dissimilar. One division is contracting of all kinds; another is maintenance, which is dissimilar from contracting because it is more service-oriented. It is repetitive work with very little material but high labor and equipment. Another division is a nursery operation. This is a type of farming that requires a period of years in order to harvest a crop. It is dissimilar from both contracting and maintenance. The other true division is a garden center. This is a retail operation that requires sales clerks, advertising, and store layout. It is dissimilar from contracting, maintenance, and nursery operation. For each division you have you must create a separate budget. In overhead, it will be very obvious where some items go and how much of various costs should go into each division. But some items, such as telephone costs or office supplies, are more difficult. If you can separate the costs, do so. If it is too difficult, we recommend you use what we call the "ABC Method". A stands for sales, B stands for overhead people, and C stands for field people.

Go through each item in the overhead budget and ask this question: Is this item affected by sales, overhead people, or field people. Then put an A, B, or C by that item.

You will now need to come up with a percentage split for each of the A, B, C categories. For example, the category A item of sales. Let's say that your sales for a year for the entire company is $ 1,000,000. Of that total, $500,000 is in contracting, $300,000 is maintenance, and $200,000 is in your nursery operation. That would mean that you divide all A items at the following percentages; 50 percent to the contracting division, 30 percent to the maintenance division and 20 percent to the nursery. You arrive at the same kinds of percentage breakdown for the B category of overhead people by discovering what percentage of time each overhead person spends working on the different divisions' concerns. You then take your total field people and arrive at a percentage of how many work in each division in relationship to the total people in the field. Finally, you arrive at your percentage for the C category of field people. You apply these percentages to the total amount of money spent in an overhead category to arrive at how much of that total would be budgeted to each division.

Keep these ideas in mind when entering your data into the MORS program.

The MORS Computer Program

The MORS program is a computer-based program that implements the Vander Kooi & Associates strategy for recovering overhead expenses through a markup on the labor, materials, equipment, and subcontractor costs charged to accomplish the job. MORS requires you to 'model' your company and enter pertinent data about expenses and costs incurred by your company annually. Typically, the information required to model the company is as follow:

COMPANY: The name of the company, the departments within the company, and the gross sales attributed to each department are captured in this section. This data is then modified by the projected increase in sales for the next year.

WORK SCHEDULE: The general work schedule that includes the number of hours worked per day, the number of days worked per week, the number of weeks worked in a Year, the number of annual vacation days, the number of paid holidays annually, and the number of sick days allowed annually.

WORK CREWS: The work crews define the 'group' of workers that are sent out each day to do the job. Each crew will have work 'positions' that defines the job responsibility.

LABOR BURDEN: Labor Burden defines the items that companies may be required to pay in order to operate as a business. The data for these items are entered as percentages. Separate values exist for direct workers (field) and for support workers (overhead). In addition, any benefits you pay employees is calculated as a benefit percentage.

LABOR COSTS: Pertinent data is entered for the Field Workers and for Overhead Workers. Each is treated slightly differently. Basically, MORS needs to know the worker's name, date hired, pay rate, whether part time or full time, authorized overtime pay, and benefits received.

MATERIAL COST: The amount each department spends on materials annually.

SUBCONTRACTOR COSTS: The amount each department spends annually for subcontractors.

EQUIPMENT COSTS: Each major piece of equipment is identified along with the cost to purchase it, usable life cycle, cost to operate, cost of insurance and daily use. This information is processed to determine the charge per hour for use on the job.

RENTAL COSTS: The rental costs of equipment each department expends annually.

BUDGET OVERHEAD: This is where most companies overlook legitimate expenses that are not recovered in the charges made for work performed. Currently, MORS provides 28 categories of expenses with over 150 activities that can and should be accounted for as overhead expenses. MORS allows for a 'Corporate' level of expenses that will be allocated to the various departments. Each department can also account for department specific expenses.

DIVISION SOLUTION: The data collected is analyzed to produce the percentage markup for the direct labor charge to recover the expenses incurred in generating and executing a job. This will reflect only the data required for that department.

COMPANY SOLUTION: The Company Solution combines all departments to produce a labor markup value for the company as a whole.

Introduction

Vander Kooi's Multiple Overhead Recovery System (MORS) is a set of procedures and strategies designed to account for all the overlooked expenses involved in operating a viable contracting business. This system has been converted to a computer program that accumulates, assimilates and calculates the percentage that labor cost should be increased in order to account for the incidental expenses of running a business. The MORS program also produces percentages for these overhead items that can be analyzed to determine if the company's expenses are within the range of business norms.

MORS begins with you defining the structure of your business, the operating departments within your company, the gross revenues that these departments generated over the past year and an estimate of the growth that can be expected for the next year.

MORS can separate direct costs and overhead costs per department. This is done by the "ABC" method which distributes overhead based upon "A" - gross sales per department, "B" - percentage of time that overhead spend per department, and "C" - the number of field employees per department. Each overhead item is pre-set by ABC as defined by the VKA system.

Data is collected for the direct cost that the company experienced necessary to conduct business. The major categories for these expenditures are:

1. Labor: Employees' pay and the company part of insurance, taxes, vacation pay, FICA, etc.
2. Materials: Expendables and supplies necessary to do the work.
3. Equipment: Trucks, tractors, mowers, and other mechanized, large capital expense equipment owned by the company.
4. Rentals: Occasional special items that must be rented to do the work.
5. Subcontractors: Costs of hiring other companies or special task people to do part of the work.
6. Budget Overhead: Costs that the company must expend in order to keep records, attract business, or position the company as a recognized business in the community.

The Budget Overhead category can account for 29 categories and over 135 activities as legitimate business expenses. Categories and activities can be added as needed to account for your particular situation.

When all data has been entered into the MORS program, calculations are performed to determine the mark-up on labor that will be required to meet the financial goals of the company. MORS also prints out several types of reports that document the company scenario.

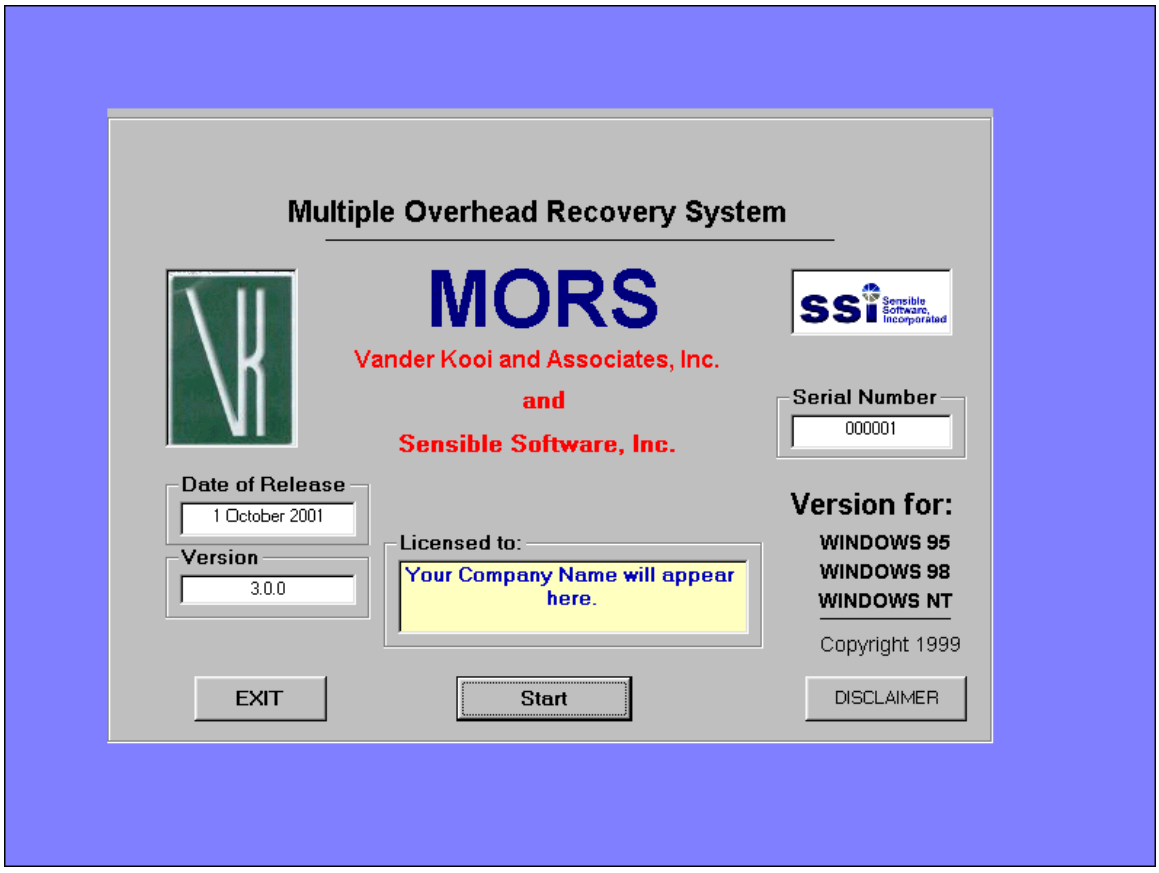
MORS

MORS is a dynamic program that can perform 'what if' scenarios by changing various data. Data can be input in any order, however a logical systematic procedure is recommended.

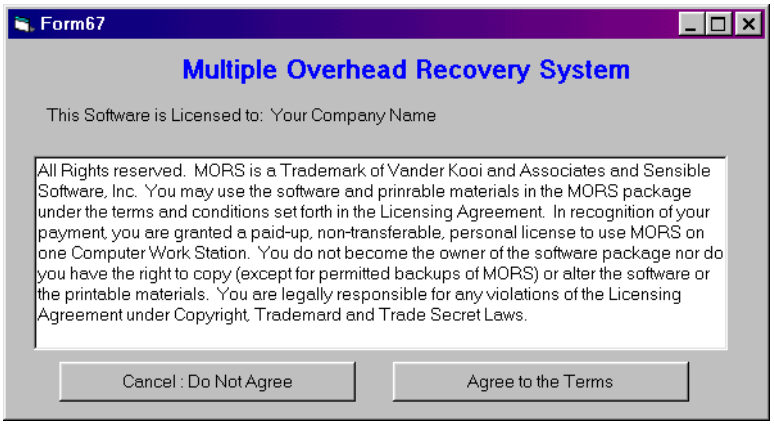
NOTE: Instructions as to what data is to be entered on each form is included in the 'INSTRUCTIONS' button. Most of the data entry is self-explanatory; however, there are a few places where strategies and procedures are explained in more detail.

Starting MORS the First Time:

The first time you execute the MORS program, there are a few preliminaries that must occur in order. When you launch the MORS program, the following screen will appear. This screen gives you some basic information concerning the data of release, the version number, the serial number and company name of the licensed user.



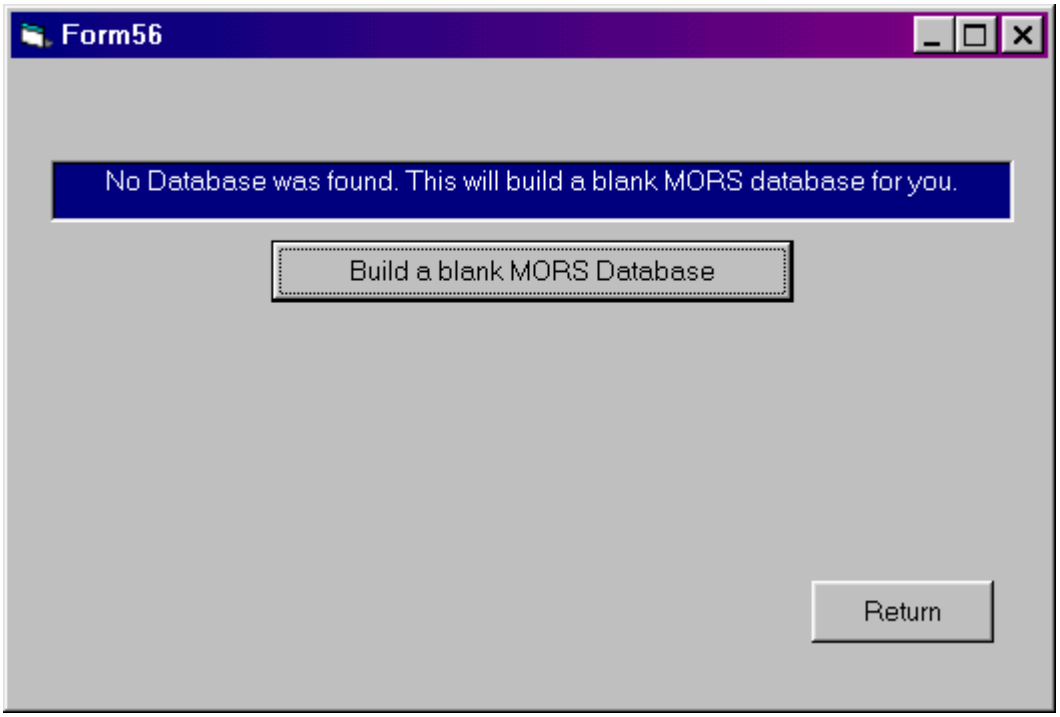
To begin, click the 'START" button and a screen will appear that informs you of the licencing agreement that governs the use of the MORS program.



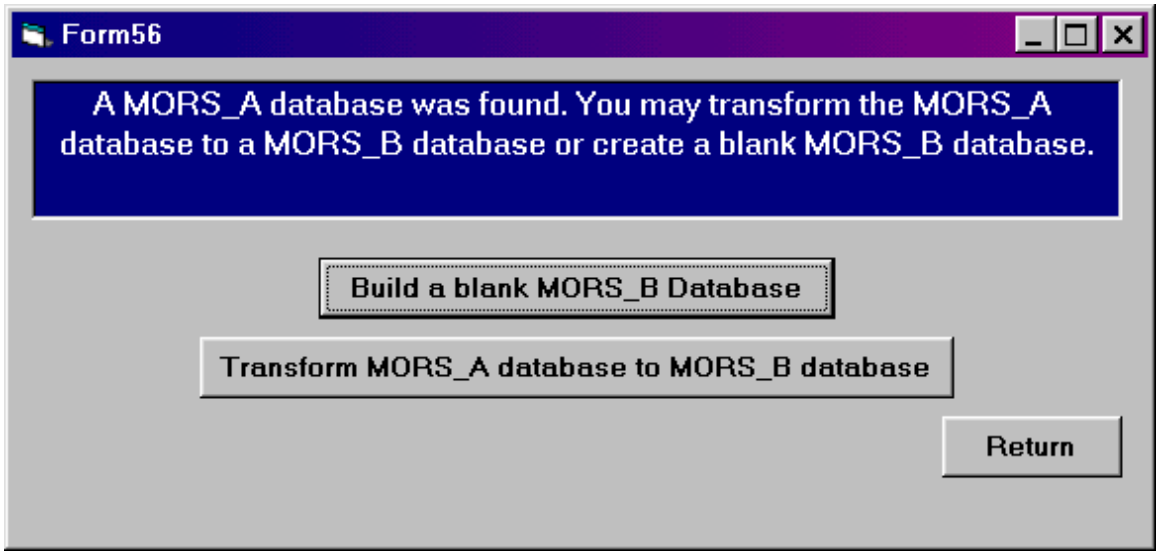
If you click the 'Do Not Agree' button, the MORS program will simply not go any further and that's that.

If you click the 'Agree to Terms' button, MORS will check to see if there is a MORS Database in existence. If not, MORS assumes that this is the first execution and will alert you that a MORS database has not been found and an empty MORS database will be built for you.

Click the 'OK' button and the following form will appear. Click the 'Build a blank MORS Database' button and the database will be built.



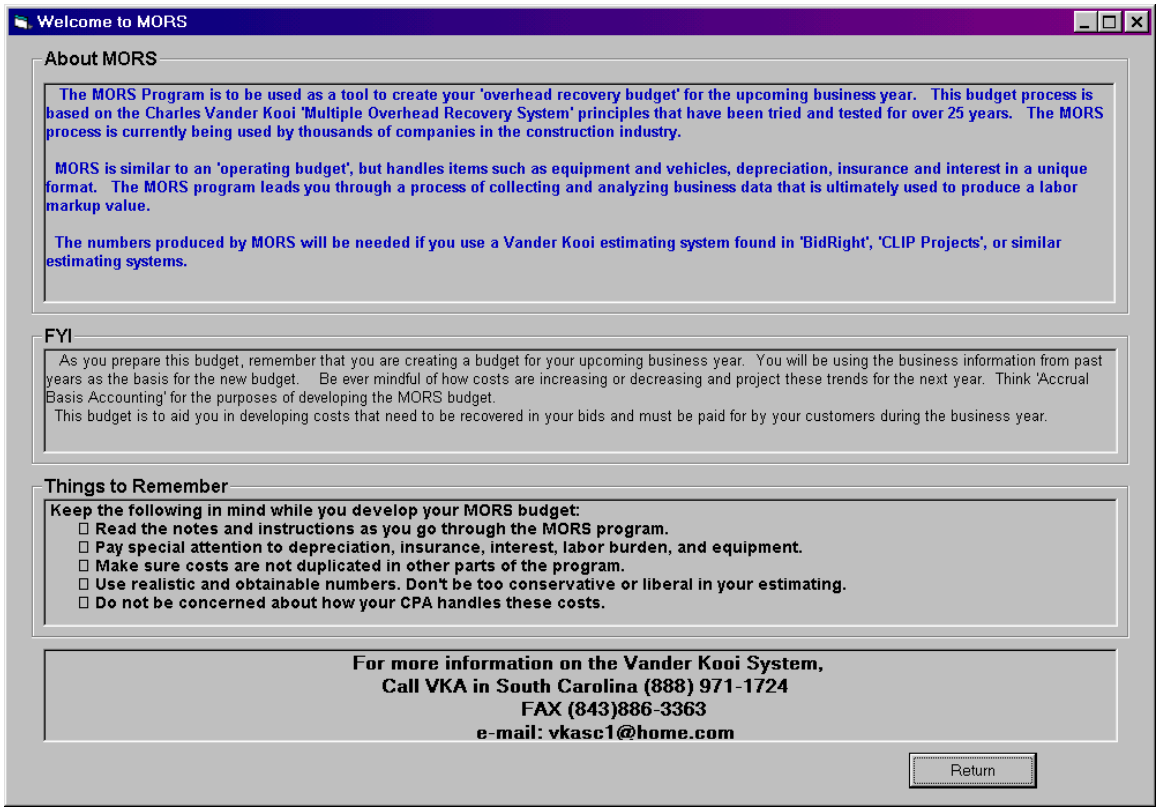
If you have an earlier version of MORS (MORS_A), this enhanced version will recognize its existence and allow you to convert the data in the MORS_A database in the enhanced MORS_B database. The only differences is a couple of new data tables and a few new fields in existing tables. The process of conversion is automatically done with the click of the mouse button.



At this point you can use the alredy built database or start from scratch. In either case, a message will appear that the database has been built and you are ready to continue. You are now ready to enter the data that will be captured in the database to form the basis for the MORS solutions.

The Welcome Screen

This screen provides some useful information and should be studied by a new MORS user.

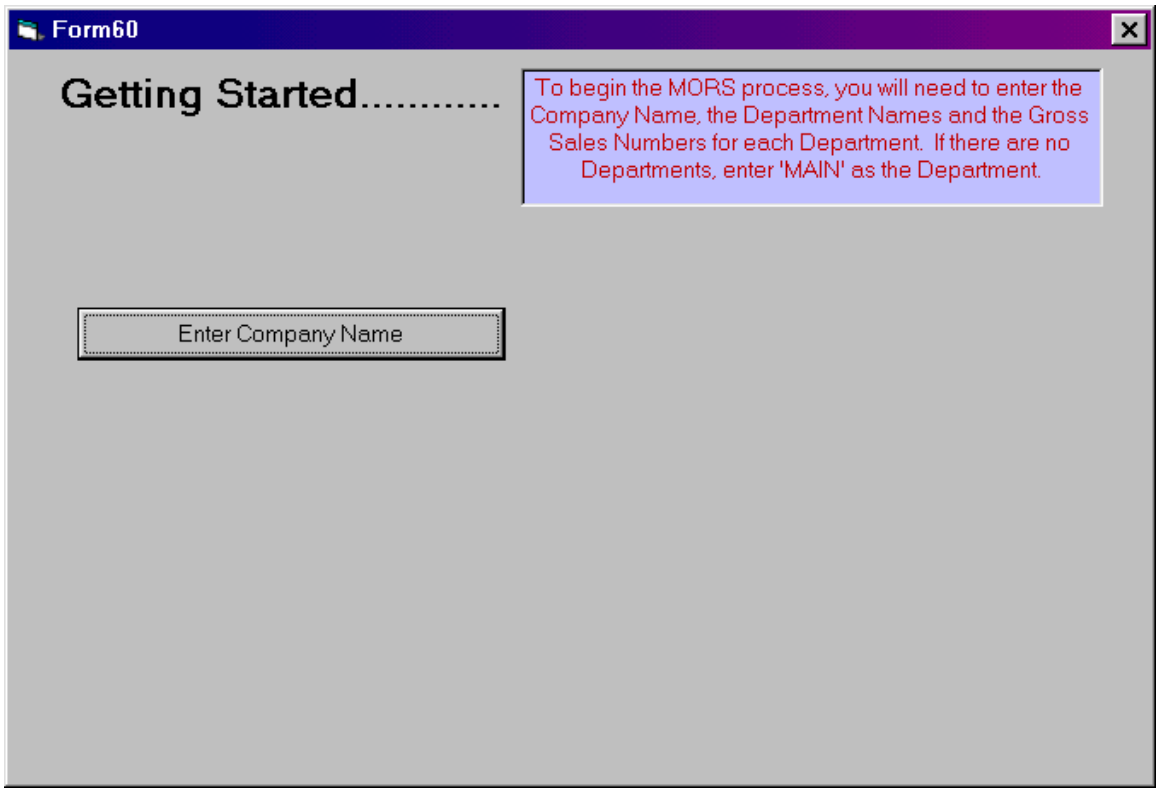


There is information at the bottom of the scree on how to get in touch with a Vander Kooi Associate. This screen is also accessible from the “Utilities Menu” that is explained later on.

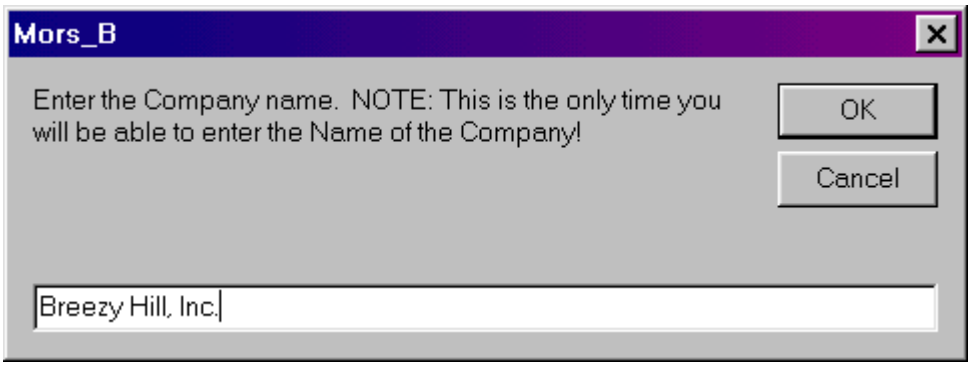
After studying the screen, click the ‘Return’ button to proceed with the process.

The first time through the program, MORS will prompt for specific information needed to build the base database.

The following form appears that will capture the necessary information. The first thing MORS needs to know is the name of the your Company.

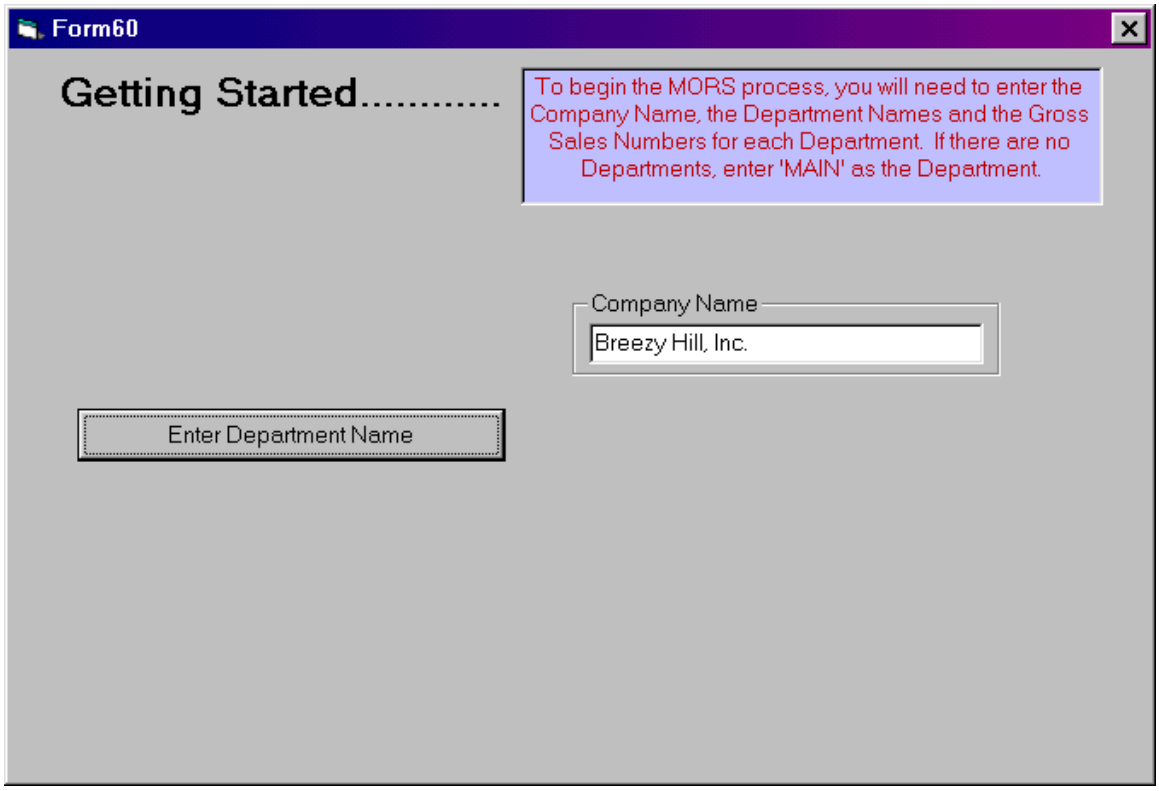


First, click the 'Enter Company Name' button. The following will be superimposed for you to input the name of your company.

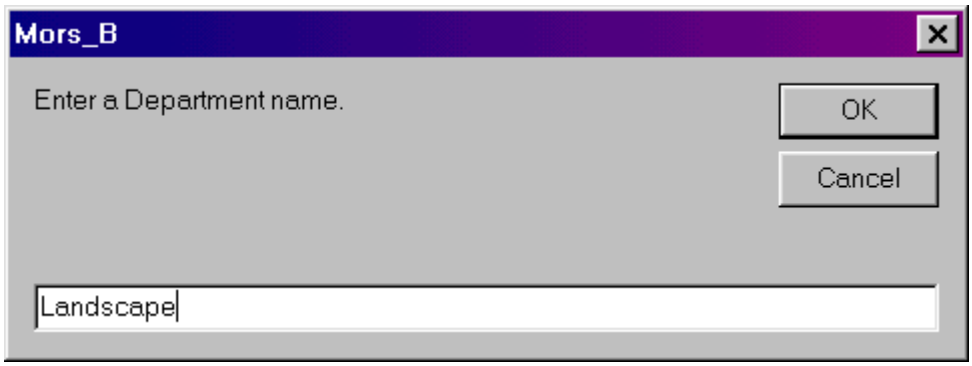


Enter the name of your company exactly as you want it to appear on reports and click 'OK'.

You will notice the Company name appear on the right side of the screen and a new button will appear labeled ‘Enter Department Name’. In MORS, a department is a separate cost center that you want to track expenses and profits.

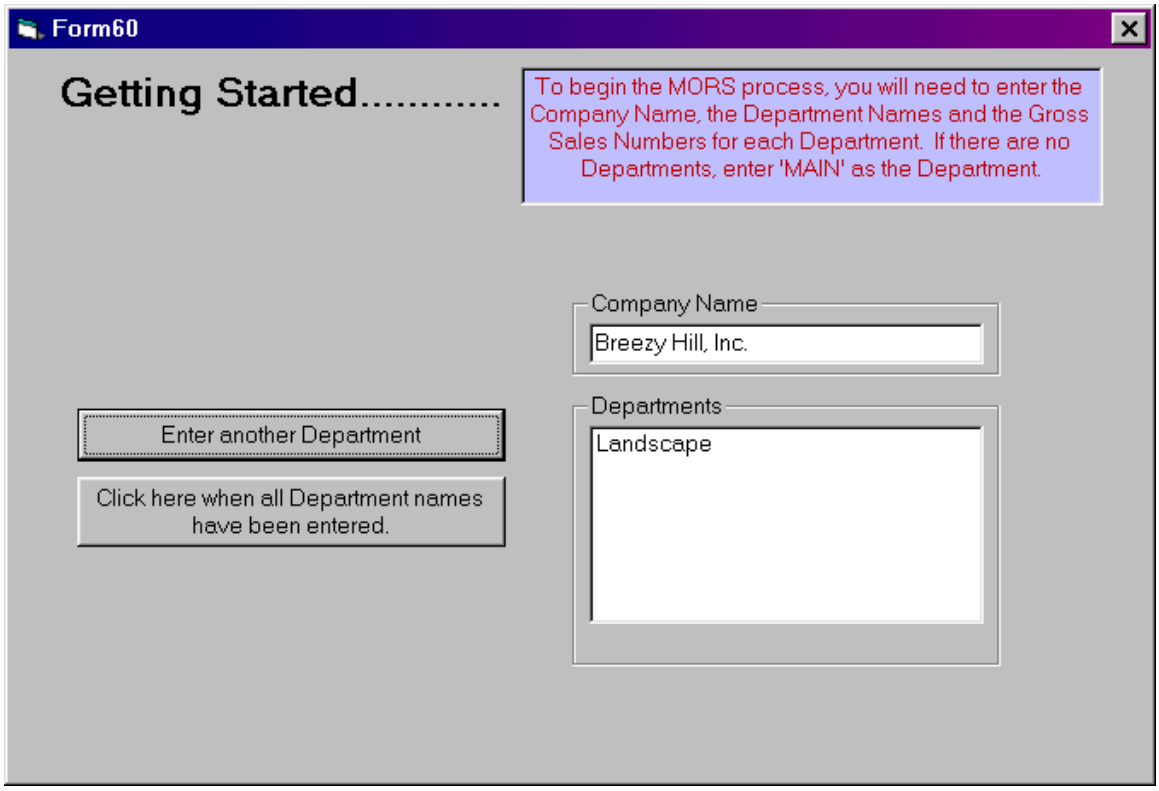


When you click the ‘Enter Department Name’ button, the following will appear for you to enter the first department name.



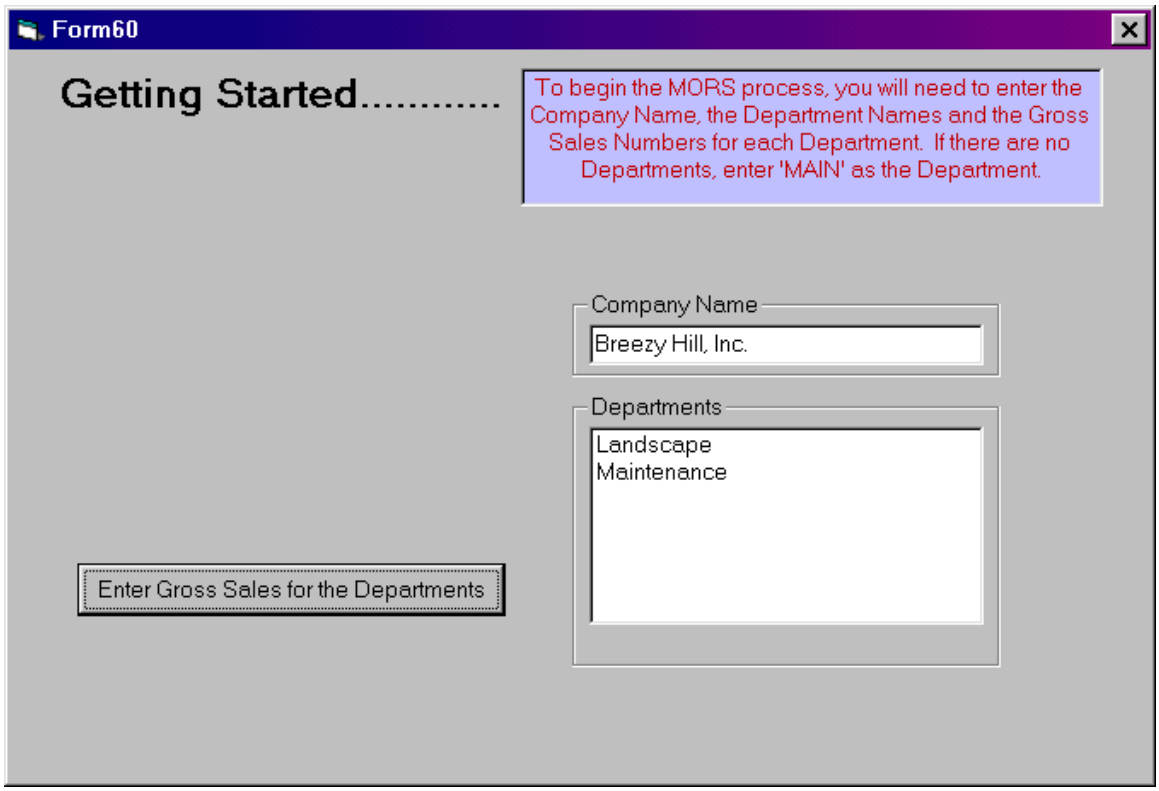
Enter the department name and click the ‘OK’ button. DO NOT create a department for the Office. Departments must be a revenue generating entity.

This will display a list of the Departments as you enter them. If there are more departments, keep clicking the 'Enter another Department' and entering Department names



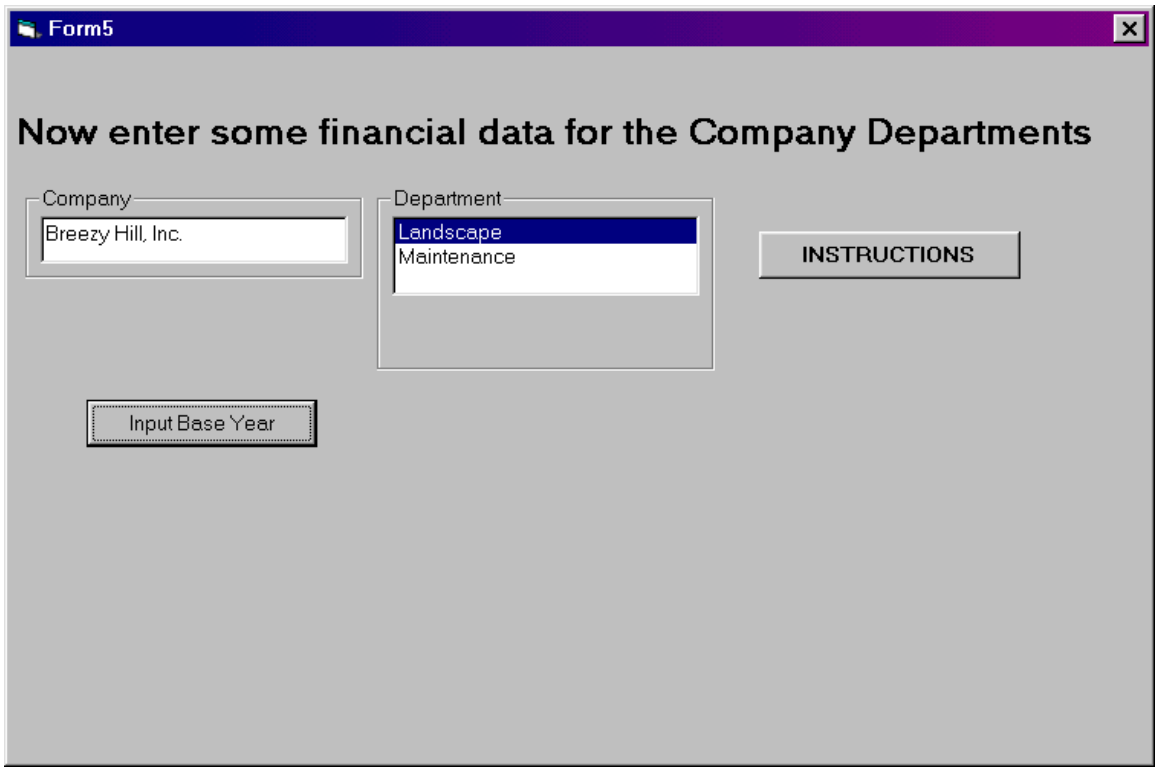
. When all have been entered, click the button that indicates that all Departments have been entered.

A button labeled ‘Enter Gross Sales for the Departments’ appears after all departments have been entered.

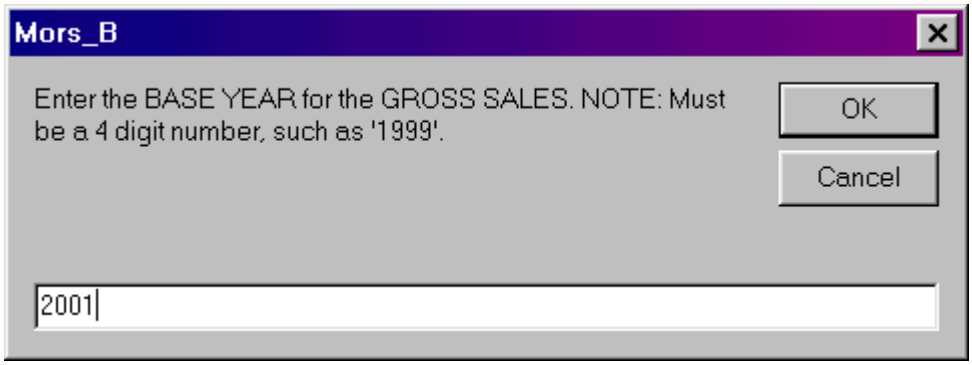


Click the ‘Enter Gross Sales for the Departments’ to reveal the following form to capture the departments financial data.

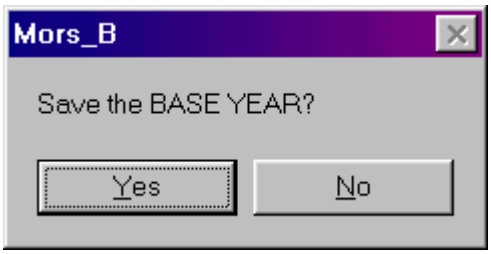
The form will identify the company and the departments in the company. The first item that must be determined is the Base Year for the data.



Click the 'Input Base Year' button and input message box will appear superimposed on the form.

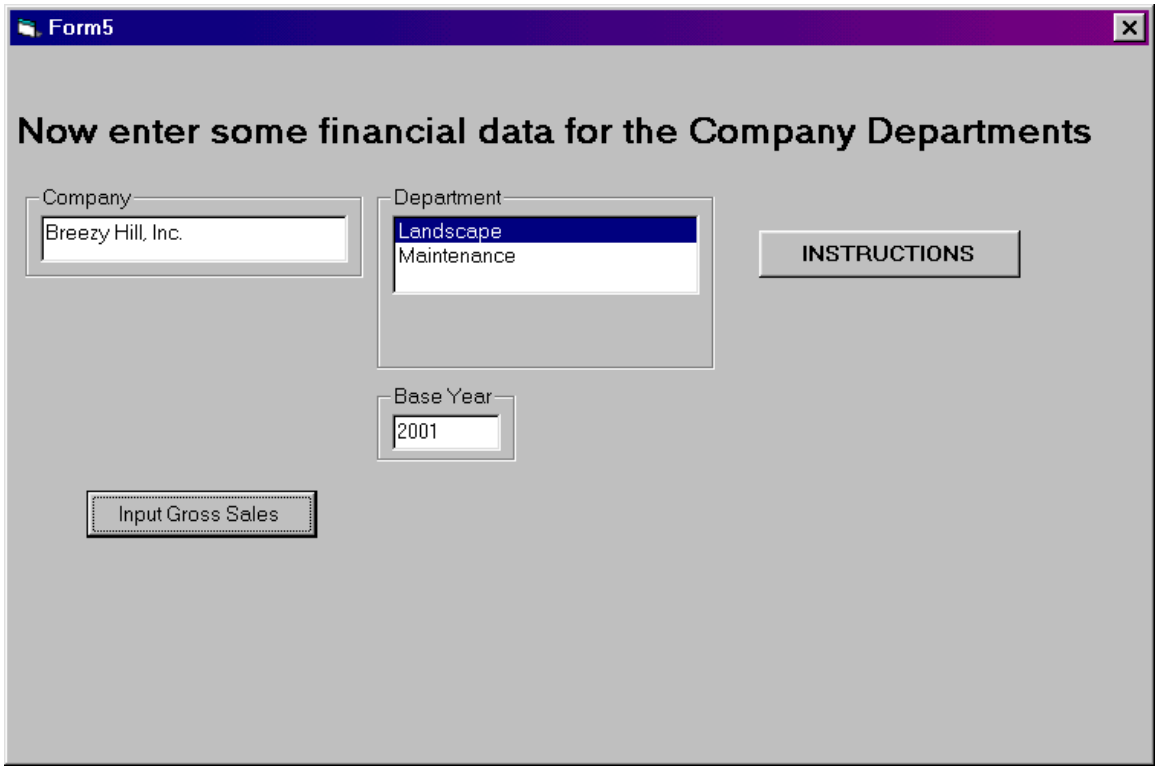


Then click the 'OK' button.

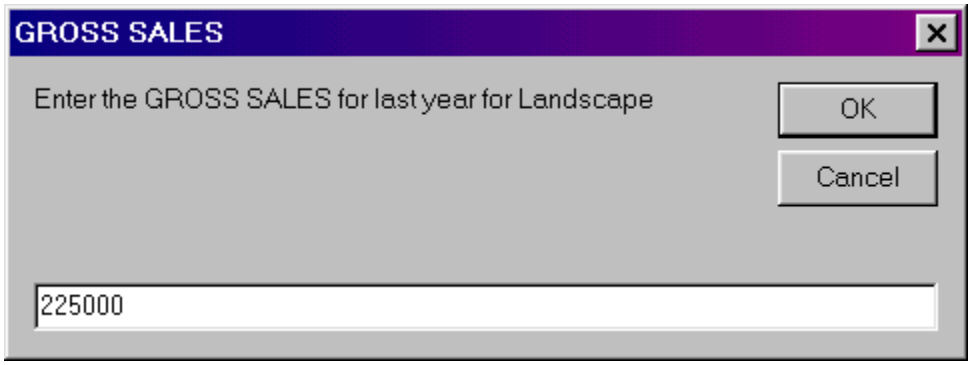


Click 'YES' to save the Year data.

The Base Year is displayed and a button labeled ‘Input Gross Sales’ appears.

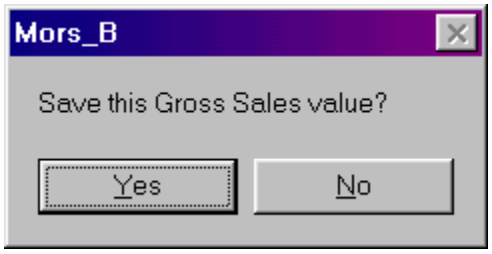


Click the ‘Input Gross Sales’ button to display the input message box.

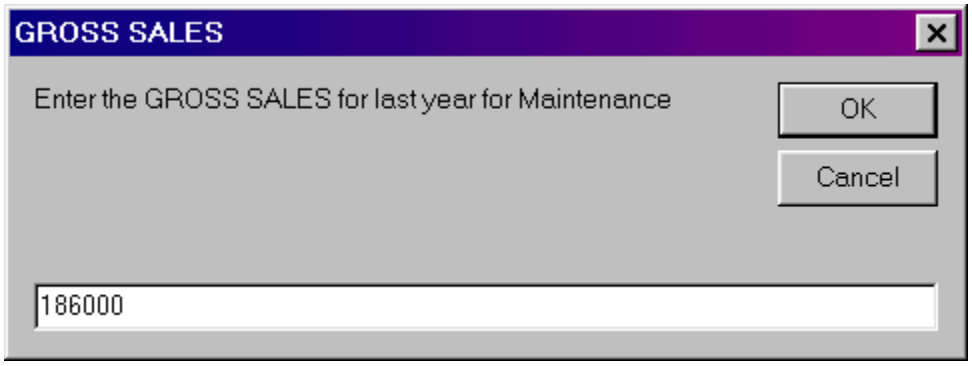


Notice that it will prompt you for the Gross Sales for the first department in the company. Enter the Gross Sales amount for the department and click ‘OK’

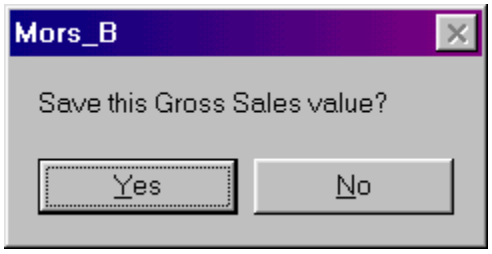
Click the ‘YES’ button to save the sales data.



The program will automatically prompt you for the gross sales number for the next department.

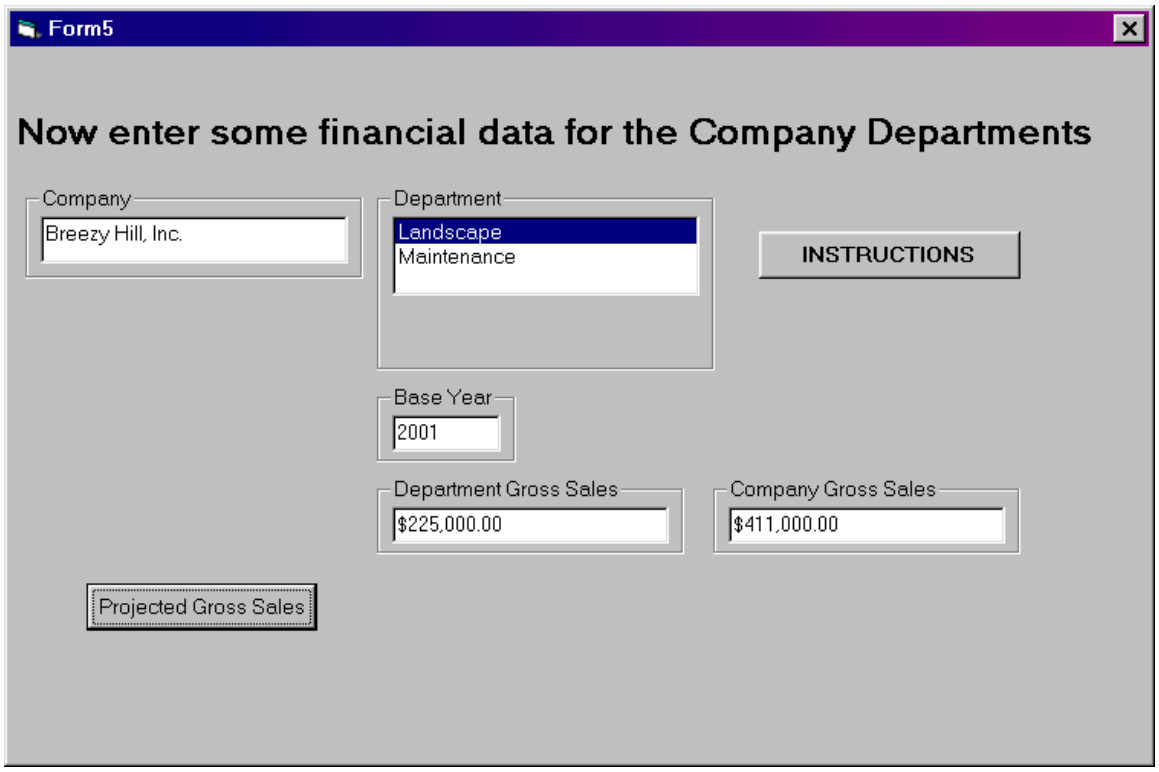


Once again, enter the gross sales number and click ‘OK’.

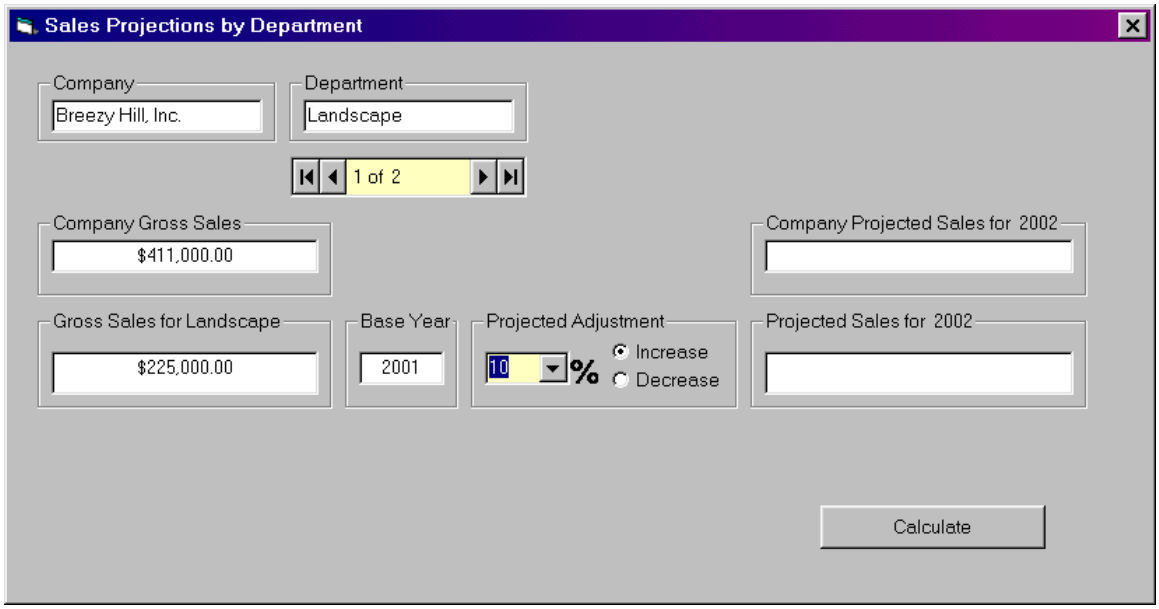


Then click the ‘YES’ button to save the data.

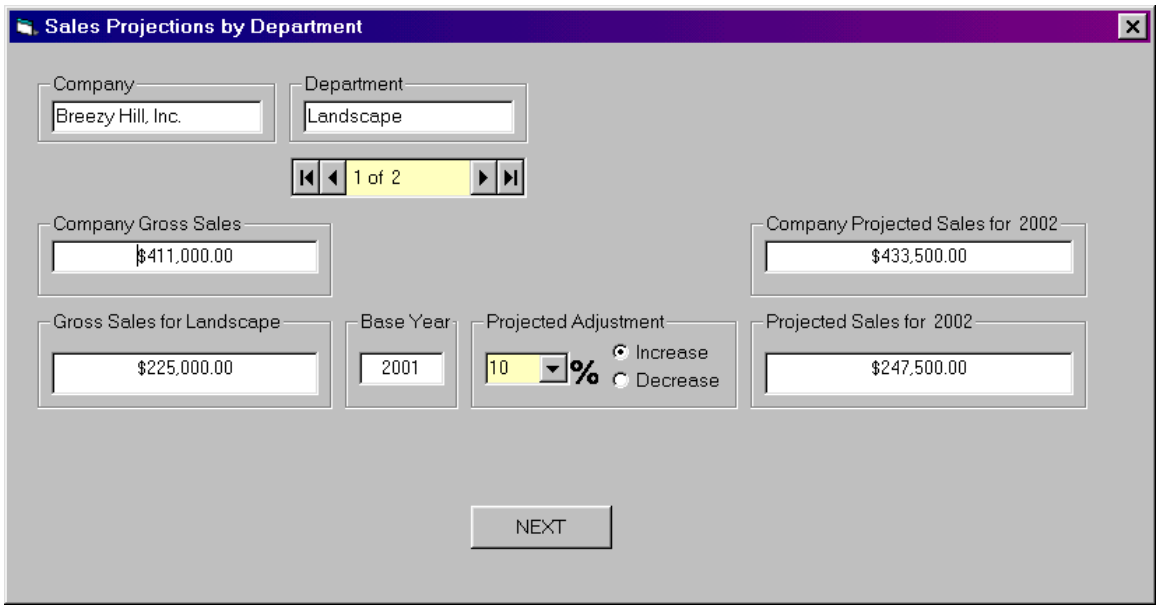
When the last department's gross sales number has been entered, you will see a button labeled 'Projected Gross Sales'.



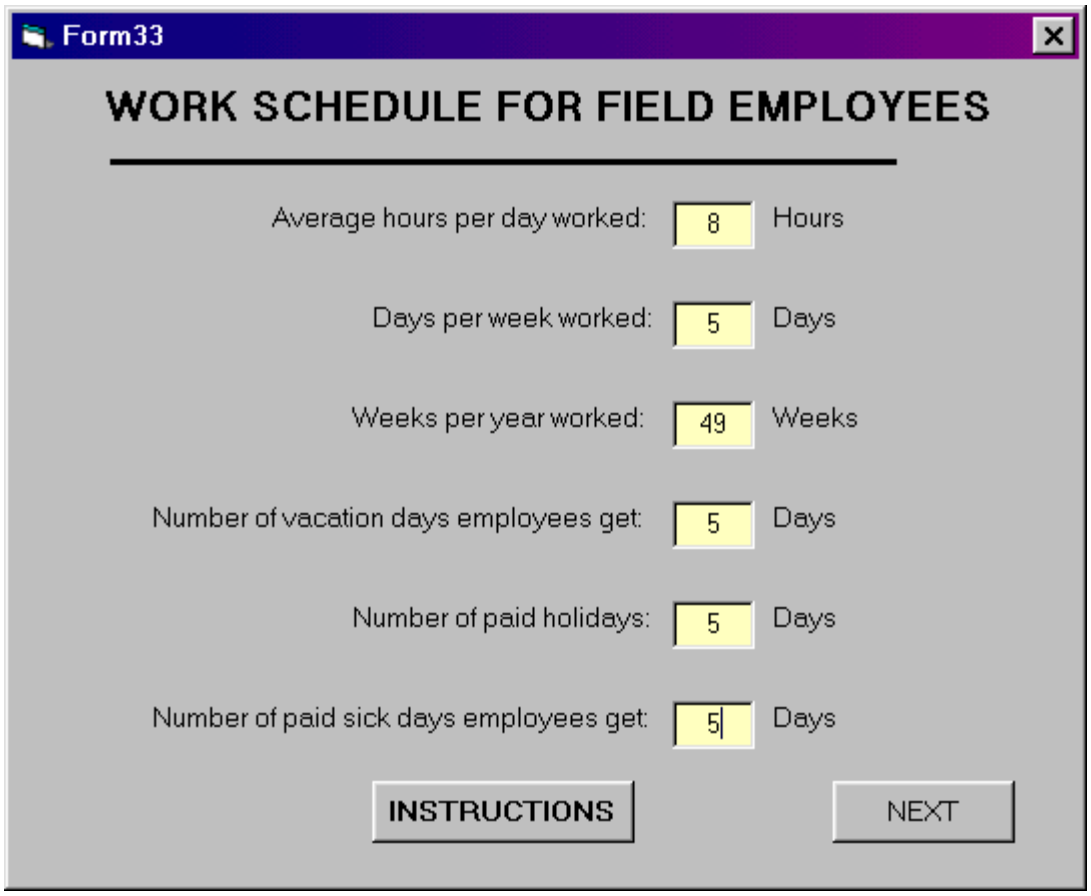
Click the 'Projected Gross Sales' button to access the following form. This form can be accessed at any time to adjust the percentage increase or decrease in a particular departments anticipated for sales.



Simply select a Department, and enter a percentage. Then click the ‘Calculate’ button and ‘Save’ button until all departments have been processed.

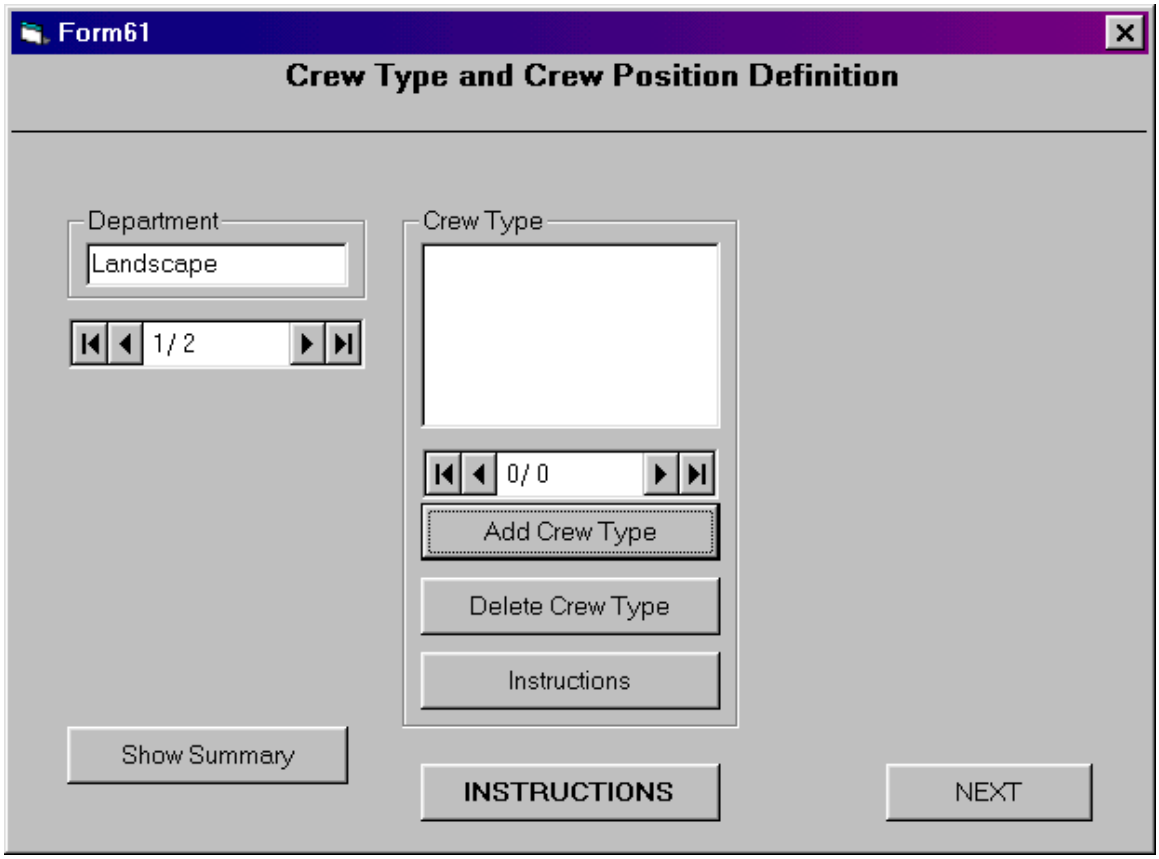


Next, a form will appear to define the work schedule for the field employees. This is the standard anticipated work schedule including days off.

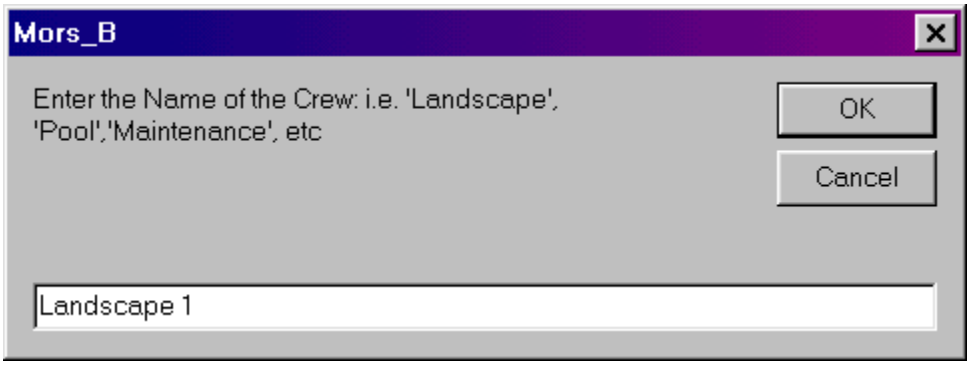


When done, click the 'Next' button.

The next task is to identify the crew types (or names) and the work positions on these crews. Later when you enter the data on the employees, they will be assigned to a position.



Click on the 'Add Crew Type' button to enter a crew type name.



Enter the name you have chosen for your crews. Each name must be unique. In this case, the name is 'Landscape 1'. If there is another landscape crew it could be called "Landscape 2' , 'Landscape X', Crew 1, Team A, etc.. If the name is ok then click the 'OK' button

Notice that the name will appear in the Crew Type list and a column for the Crew Position will appear.

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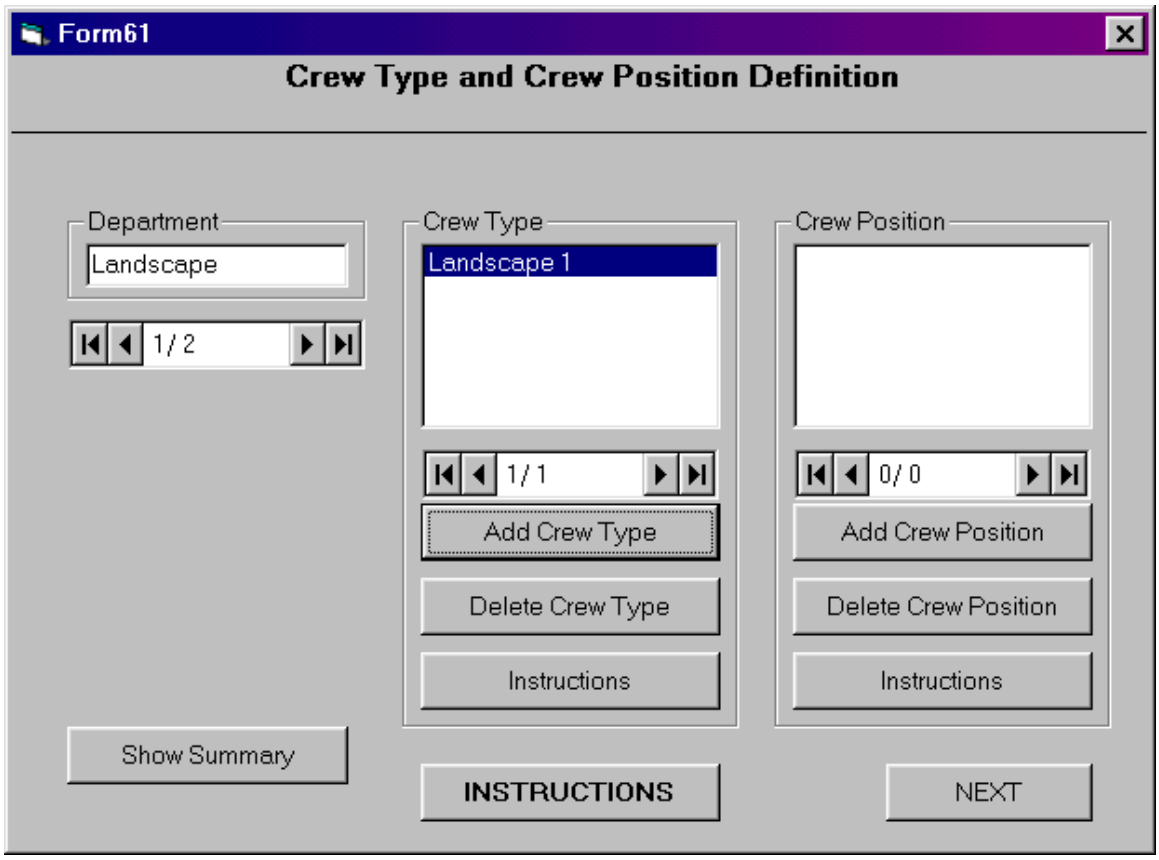
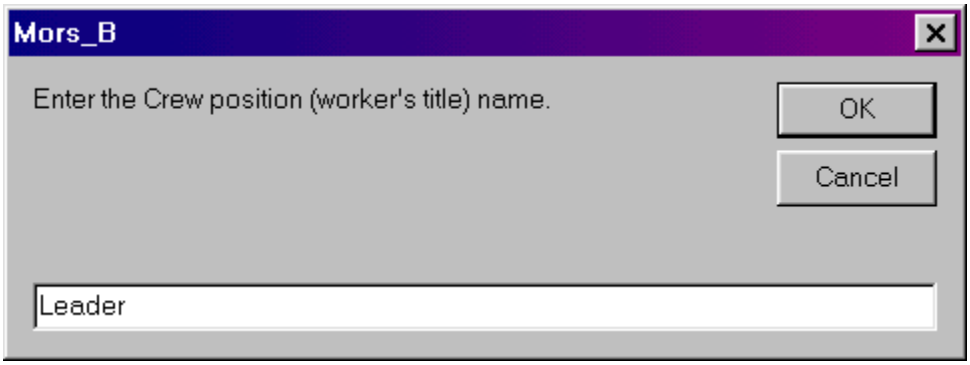
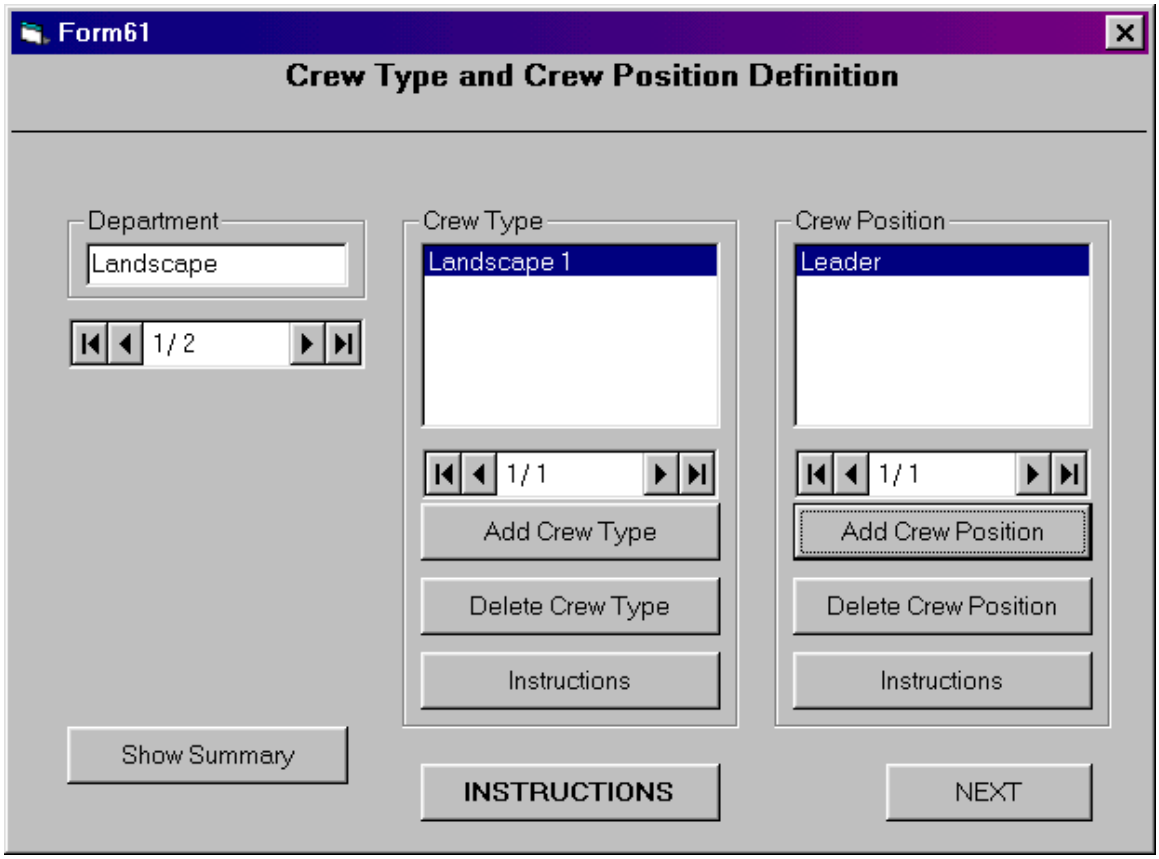


Click on the 'Add Crew position' to begin entering the position names.

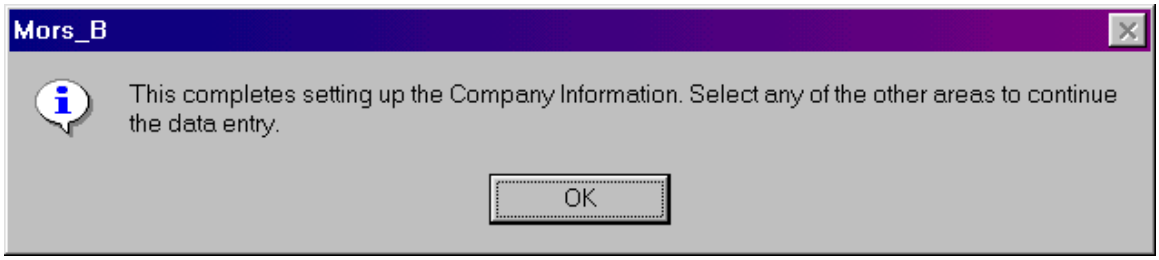


Enter the position name and click the 'OK' button. Once again, the position names must be unique. Example, if a crew has 2 Helper positions, call them 'Helper 1' and 'Helper 2'

Repeat clicking the 'Add crew Position' button until all positions have been entered. Then proceed to the next Crew Type and repeat the Crew positions. When that Department has been defined, select the next Department and repeat the whole process.

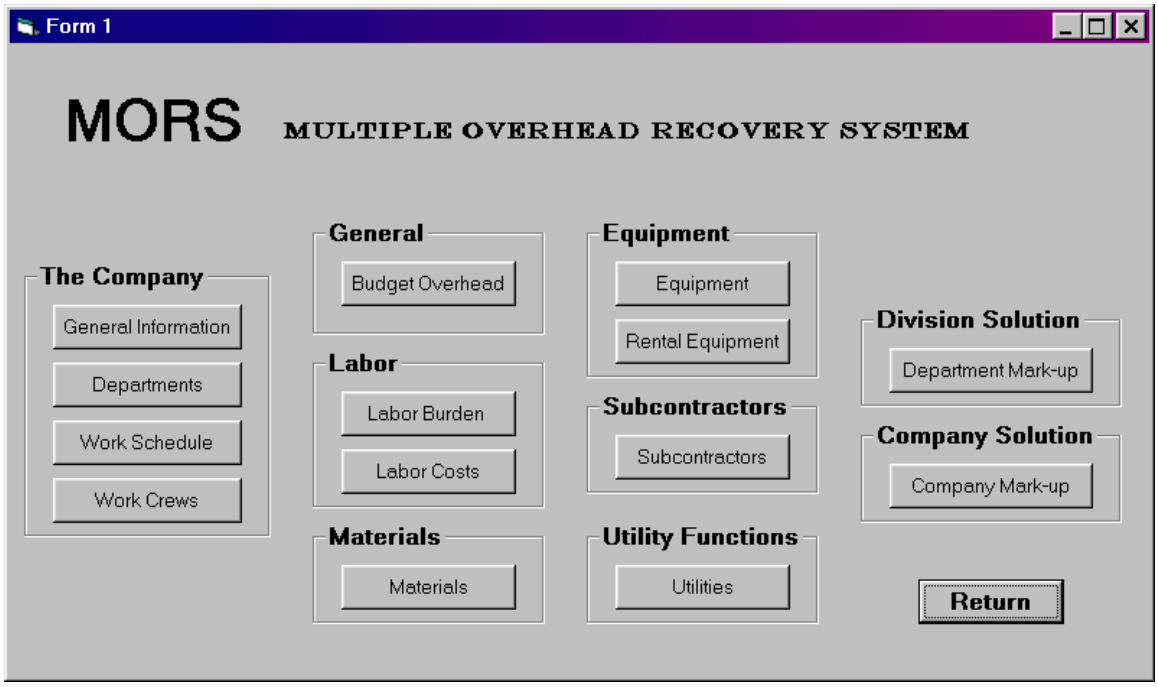


When all Departments have been defined, click the 'Return' button.



This message will appear to inform you that all the required information has been entered. Remember, any of this data can be corrected, added to, deleted at a later time as the process evolves.

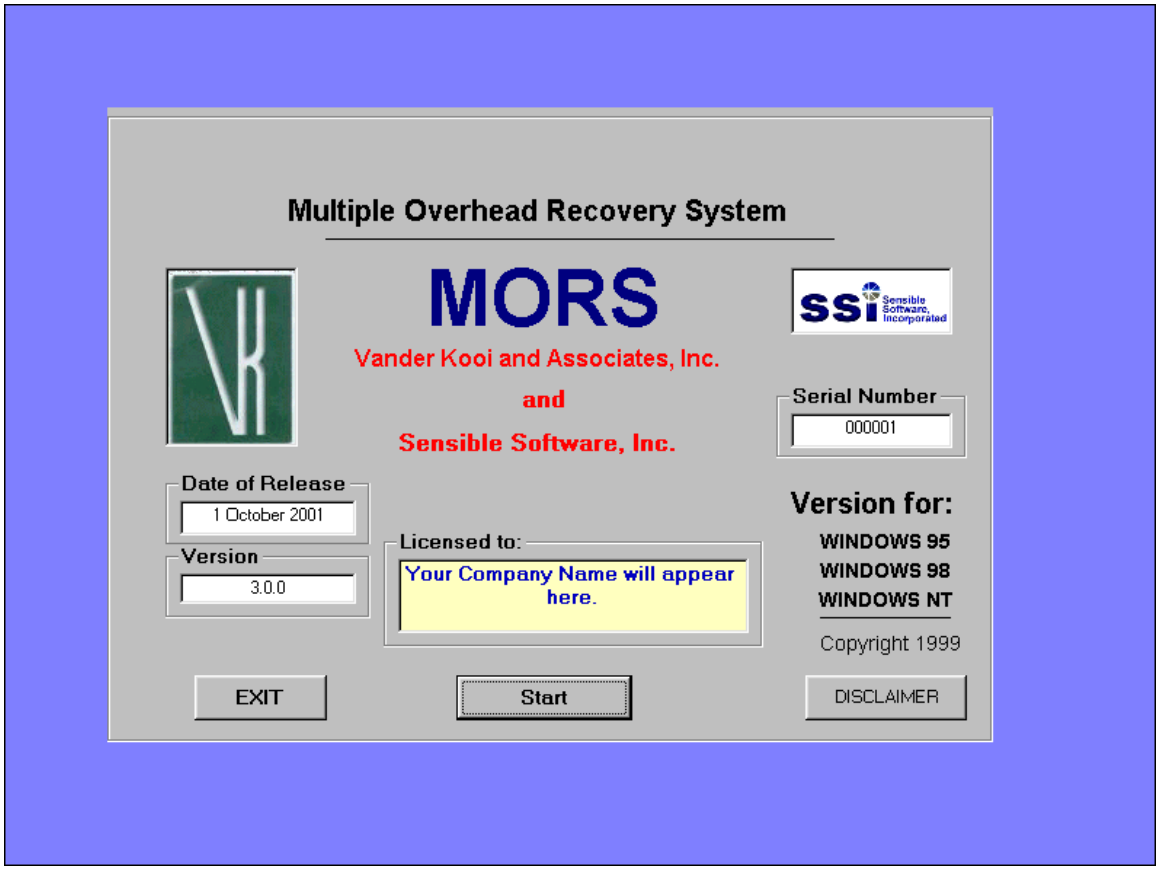
When you click the 'OK' button on the above form, the Main Menu form will appear.



You are now ready to input the rest of the company data as you wish or have it available. The data you have just entered is necessary to properly organize the subsequent data.

The MORS Startup Screen

This is the first screen that appears when MORS is started. This screen identifies the company that 'owns' the program, the serial number, the release date and the version number of the program.



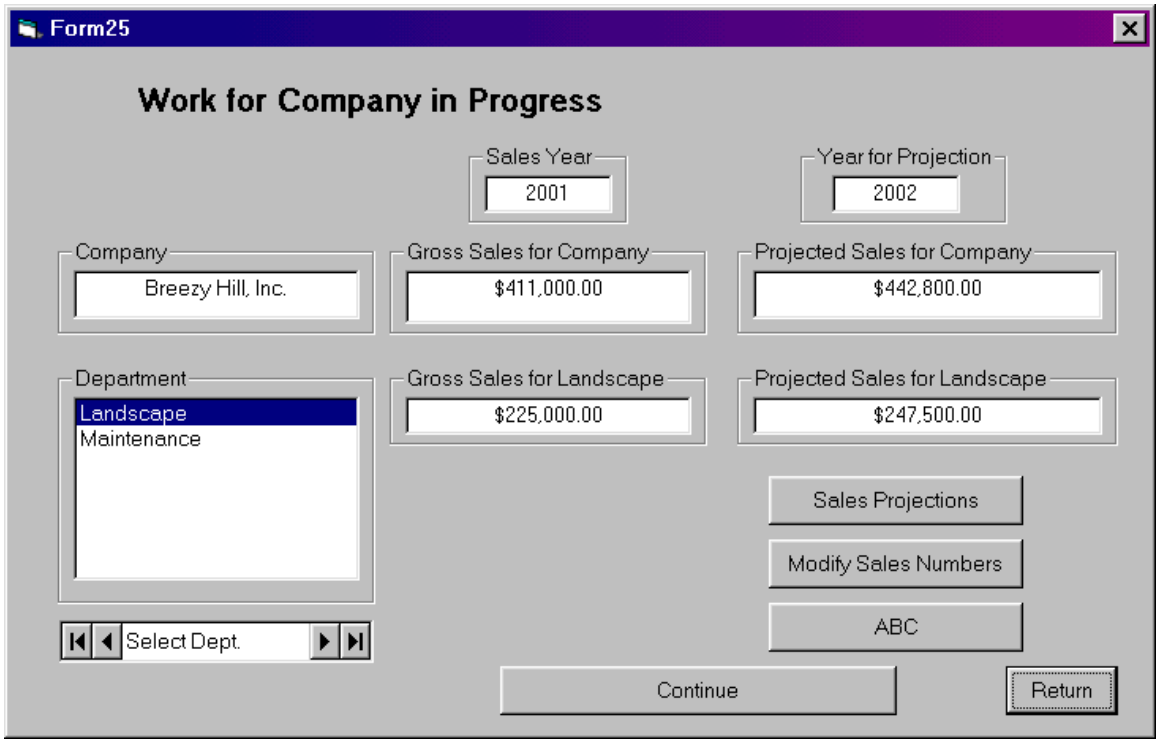
Along the bottom of the screen are three (3) buttons:

EXIT: Click this button to terminate execution of the MORS program and return to the WINDOWS desktop.

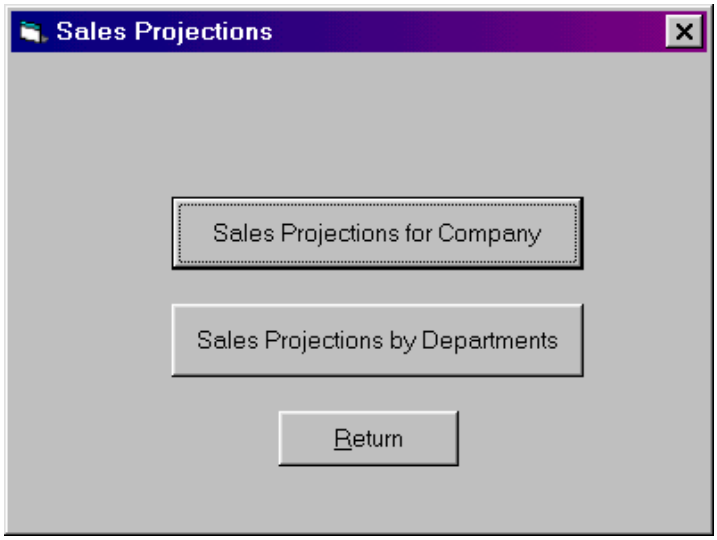
START: This starts execution of the program. One of two things will happen when you click this button. If this is the first time you have used the program, there will be no database information. MORS will inform you if it can't find a MORS database and that one will create an empty database for you. Another form will appear that will allow you to 'Build MORS Database'. MORS will then lead you through several steps to input the basic data that MORS needs.

DISCLAIMER: This displays the legal conditions concerning the MORS program and its use.

When you click the 'START' button on the previous screen, this **'Work for Company in Progress'** form will display as a reminder of the status. This form will allow you to review the sales figures for the various departments in the company and the projected sales numbers for the next year for which you are planning. .

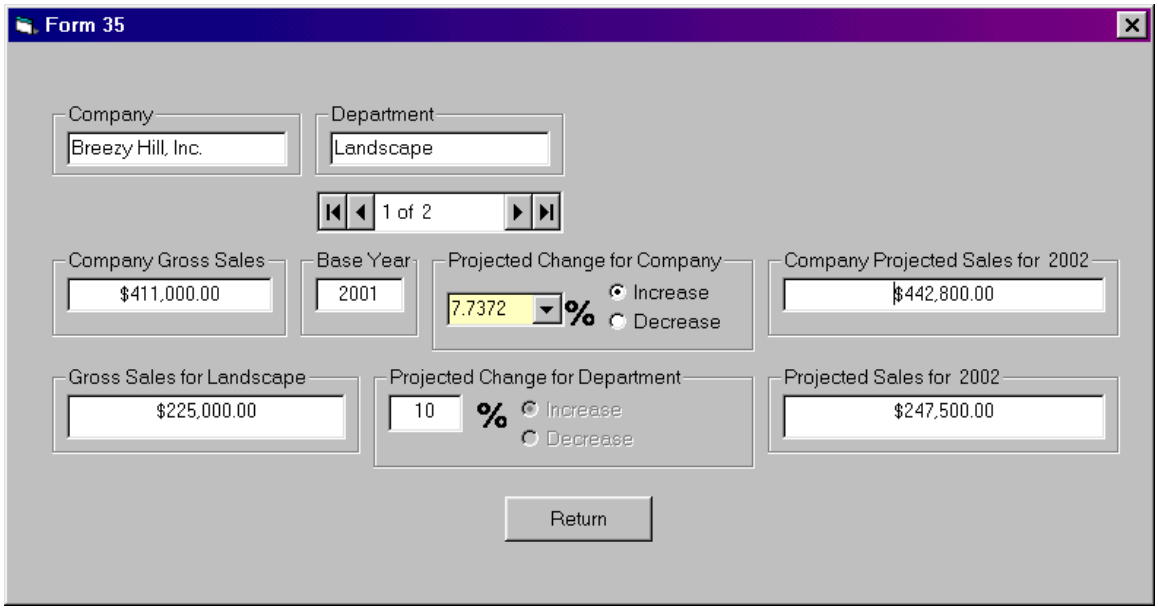


The **'Sales Projections'** button will access a form to select either Sales Projections for the whole Company or for each Department separately.



Sales Projections by Company:

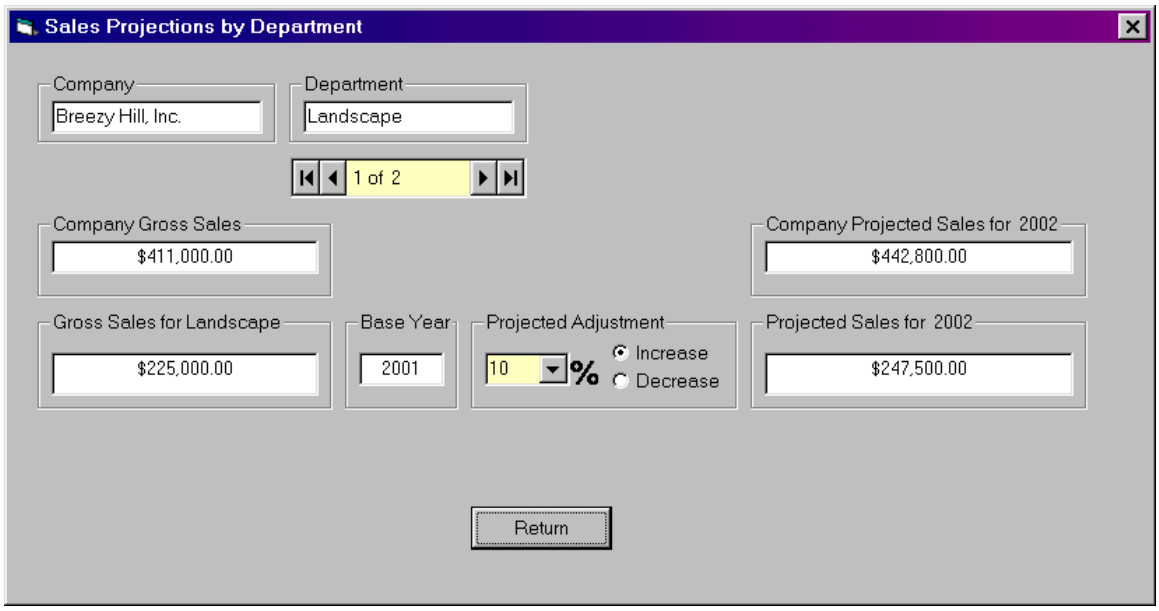
Sales projections can be estimated at the overall company level. The projected increase, or decrease, is then allocated to each department based on the ration of the individual departments sales to the combined departments sales. This is typically used when you want all departments to increase sales proportionally.



Note that the data is input in the areas that are colored light yellow. This concept is common to all forms of input. When the number is input a 'Calculate' button will appear. Click the 'Calculate' button to finish the input procedure and then decide whether you want to save the projection or not. If you answer 'YES' then the database will be updated.

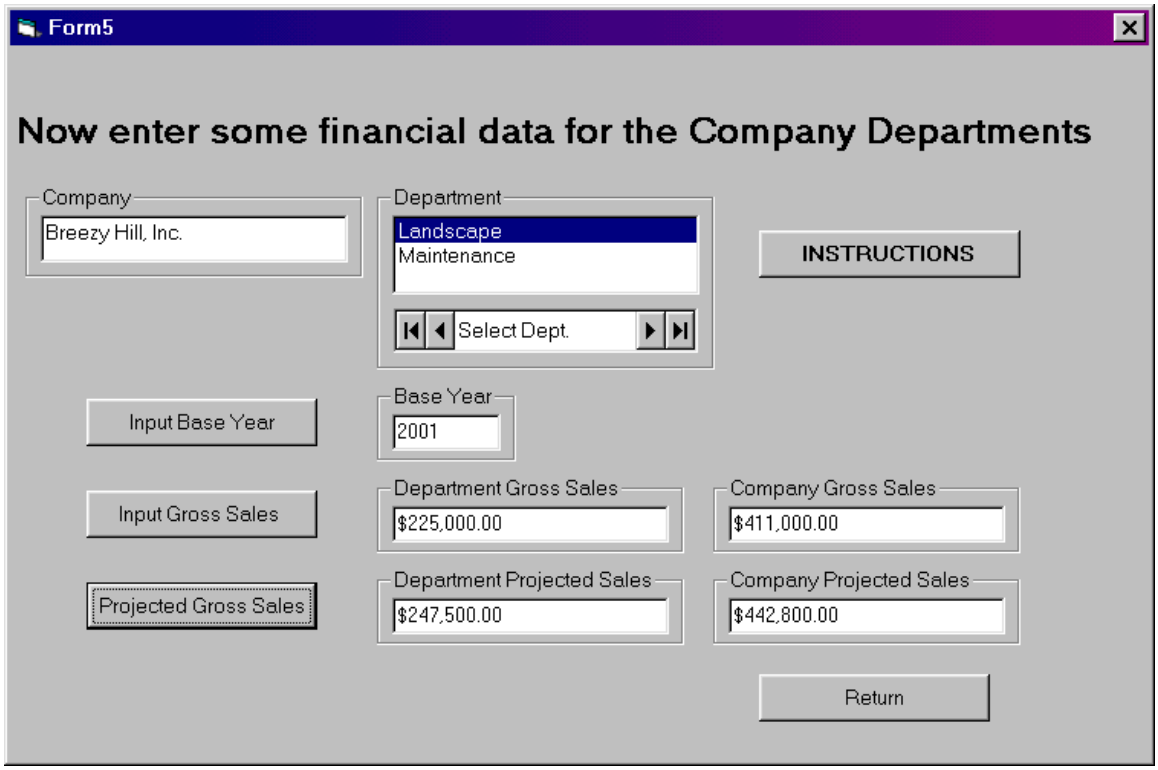
Sales Projections by Departments:

The sales of each department can be adjusted for an increase or a decrease. Enter the percentage of the expected increase or decrease in the 'Projected Adjustment' box and click the 'Calculate' button. Select the next department and repeat the process.

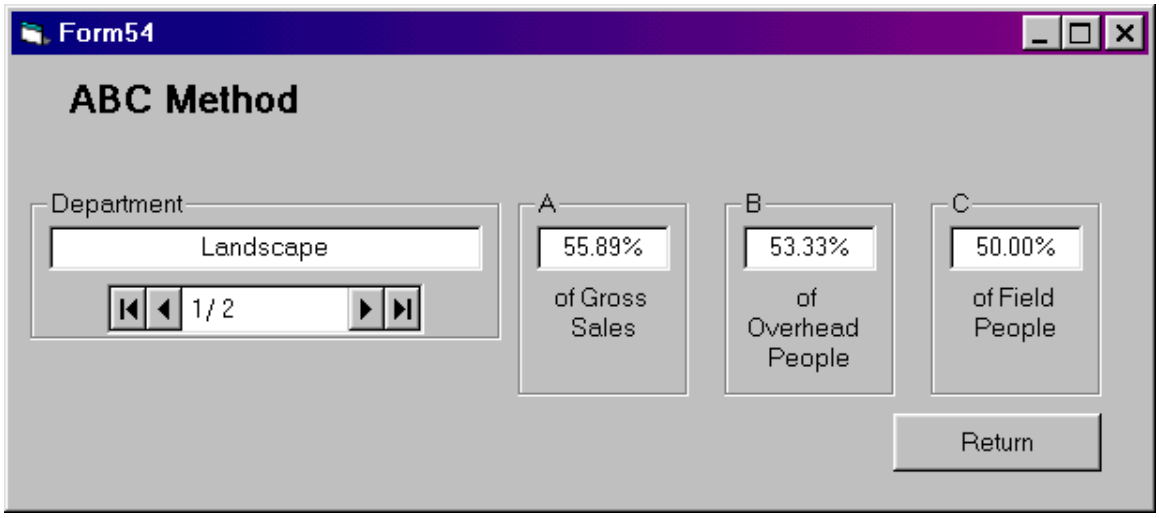


Modify Sales Numbers:

The actual sales numbers from the various departments forms the base for all calculations and projections. If at any time new information becomes available, you can update the figures, which will then be reflected in all calculations.



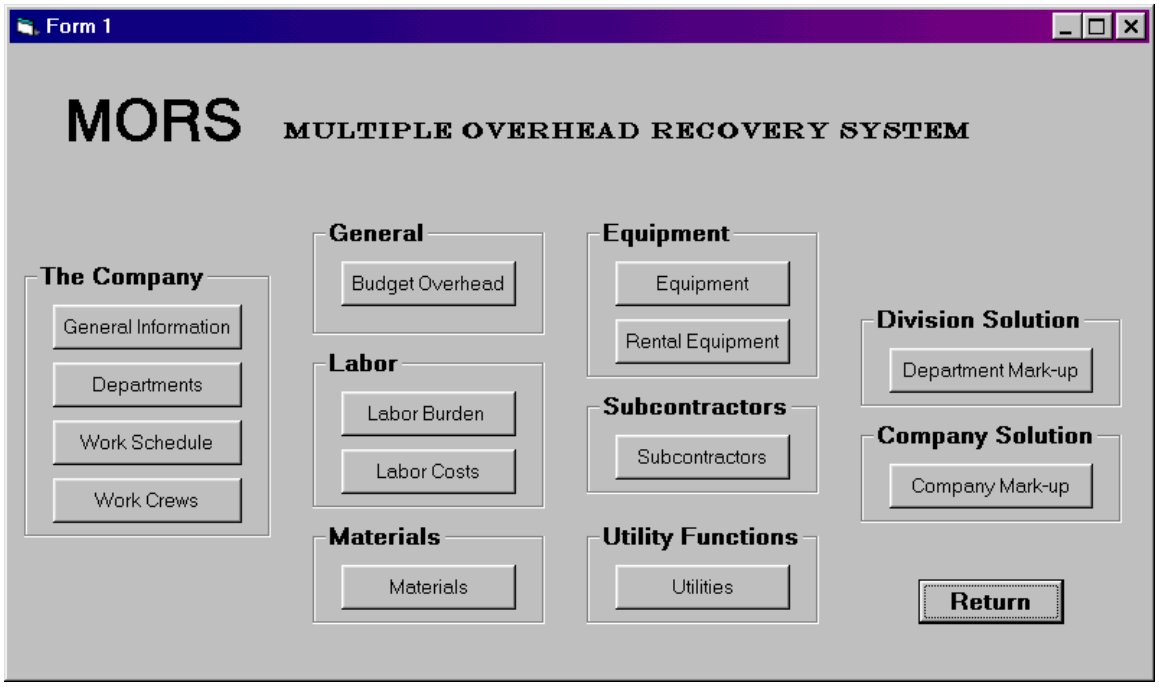
The **'ABC'** button will display a form to display the Vander Kooi ABC numbers that are key to the calculations for the labor coefficient. The ABC numbers are the ratios of parts to whole. .



Any time the figures for the gross sales, overhead people or field people are changed, the change will be reflected in the ABC numbers. Each department in a company will have it's own ABC values that will be used in calculations for that department.

The Main MORS Menu:

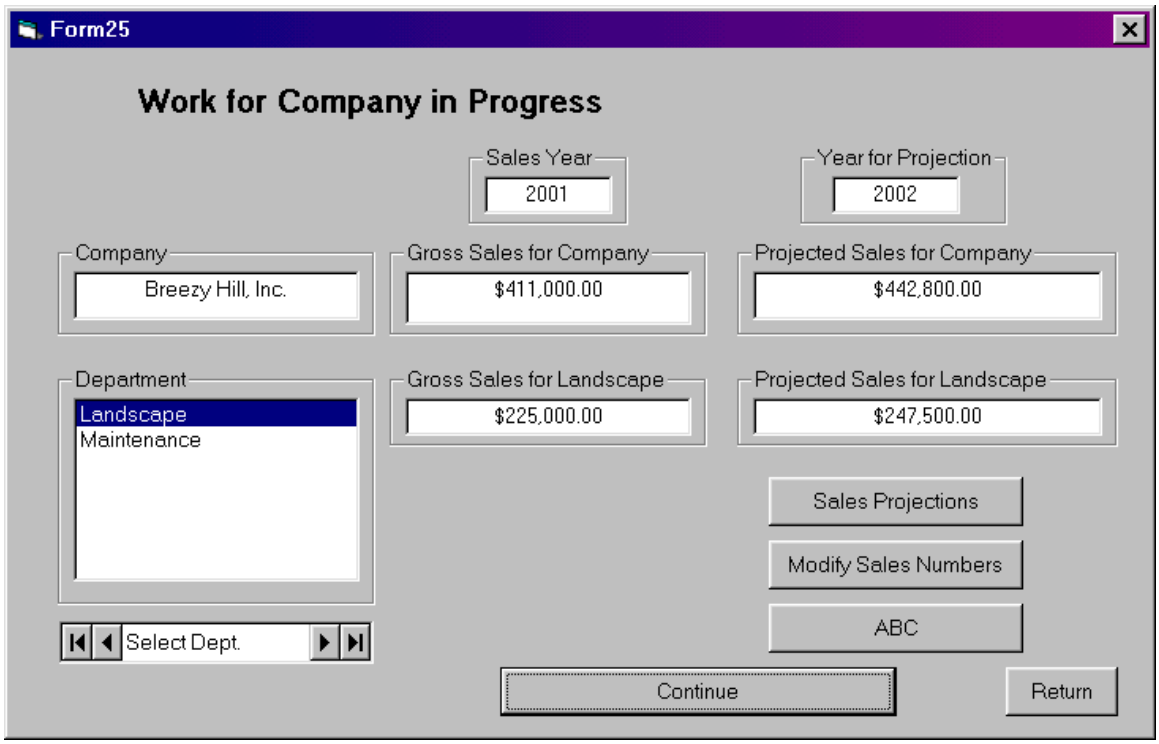
The Main Menu form presents an overall view of all of the elements of MORS. The first time the MORS program is started; it will generate an empty database. The MORS program will lead you through the initial steps to collect the base data MORS needs to get started. At that point, this Main Menu will appear to allow you to input the data that you have available and to prompt you for the data that you will need to collect from the various documents maintained by companies.



The MORS program constantly tests the database to make sure it has the data required for calculations. The program will inform you if it does not have the requisite data to complete the calculations.

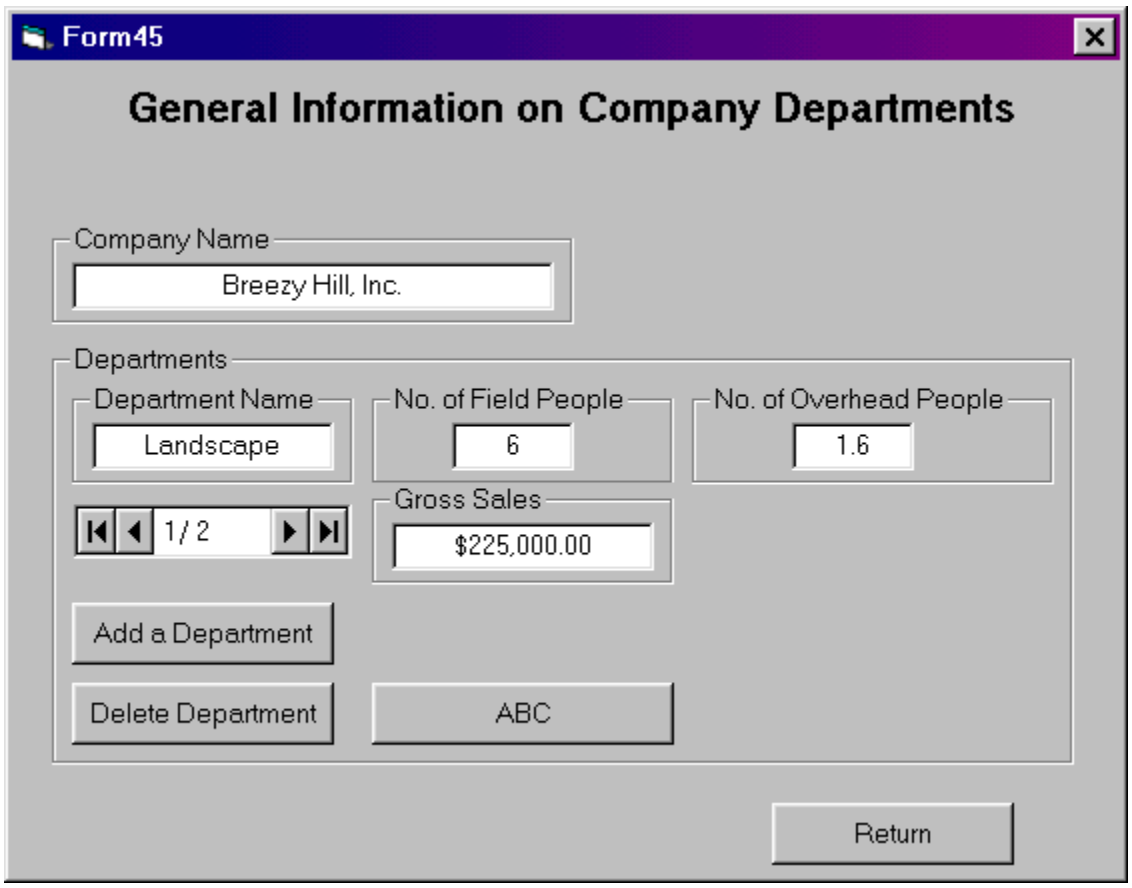
General Information:

The 'General Information' button will display the same screen that you see when starting the program. This provides access to the functions that allow you to modify sales figures and projections.



Departments:

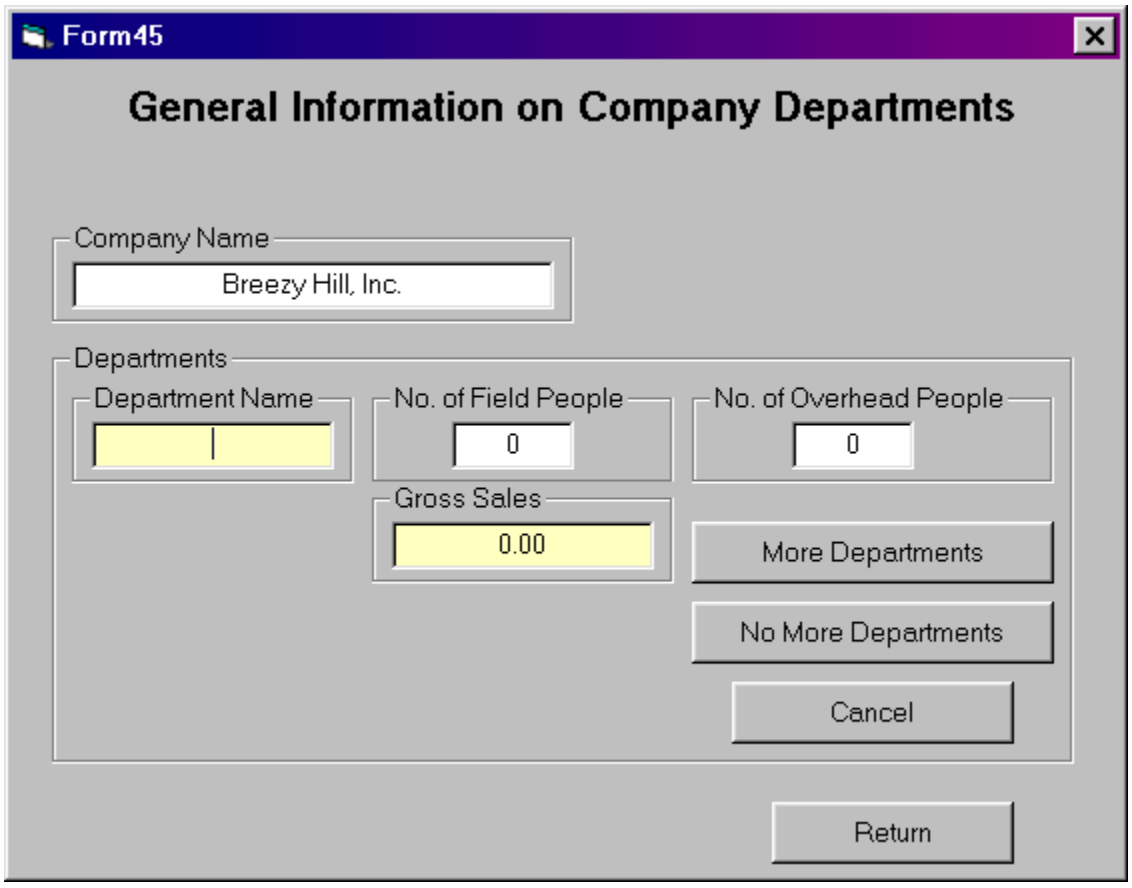
This form displays general information about the departments in the company. The main function of the form is to 'add' or 'delete' a department from the company structure.



The number of field and overhead people is calculated from the information gathered when you input data on each individual in the 'Labor' form. At that time you can divide an individuals time between departments. This also affects the calculations of the 'ABC' values.

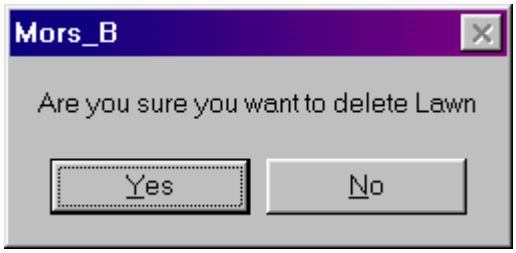
Add a Department:

If adding a department, the form will display the 'Department Name' and 'Gross Sales' areas in yellow. Enter the department name and its gross sales and then click 'More Departments', if you are adding more than one department. When you have added all departments, click the 'No More Departments'. You would then proceed to the other areas to enter the data for the new departments.



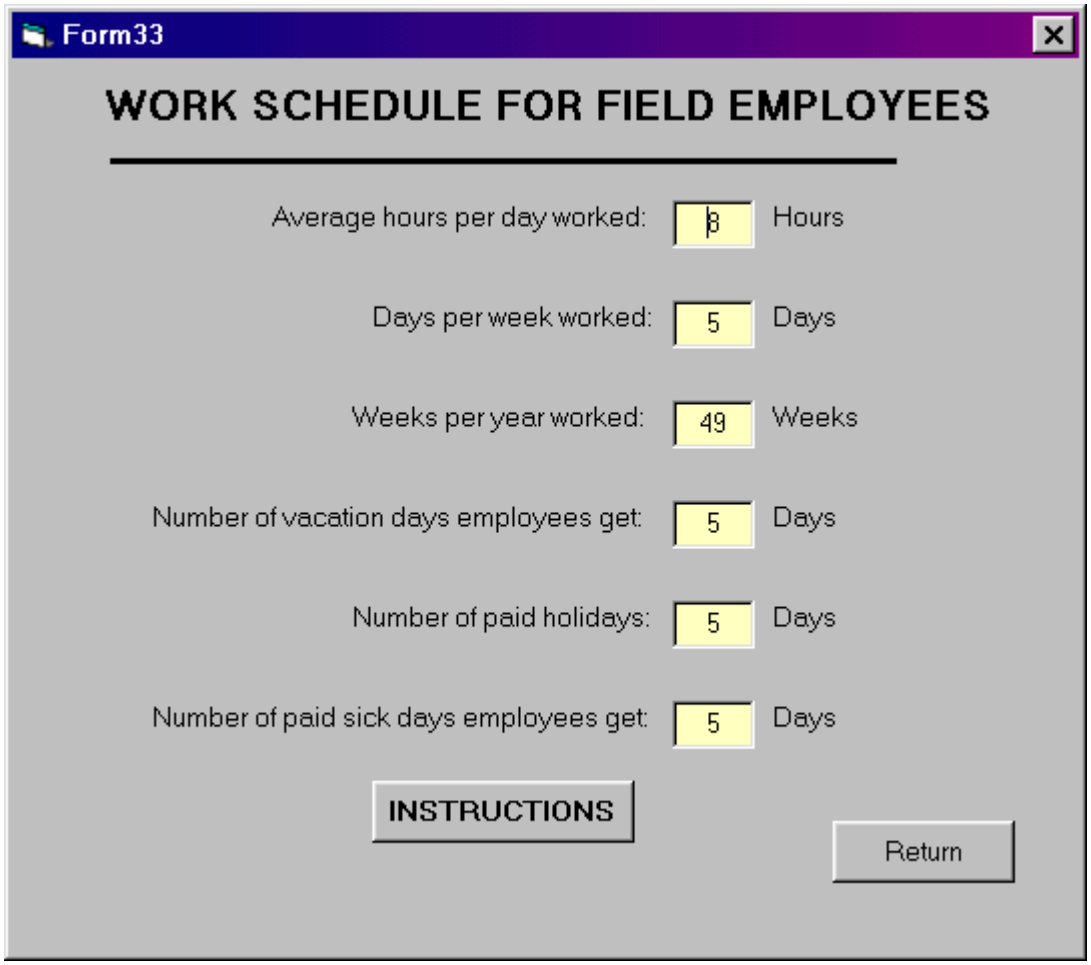
Delete Department:

To delete a department, first select the department that you want to delete using the selector under the Department Name. Then click the 'Delete Department' button. A message will display asking 'Are you sure you want to delete _____'. Click either the 'YES' or 'NO' button.



Work Schedule:

The 'Work Schedule' defines the company policy for the work year and for the basic benefits that will be in general practice.



These values are used in defining 'Labor' values for the individuals that make up the work force. The top three values define the 'Regular Work Schedule'.

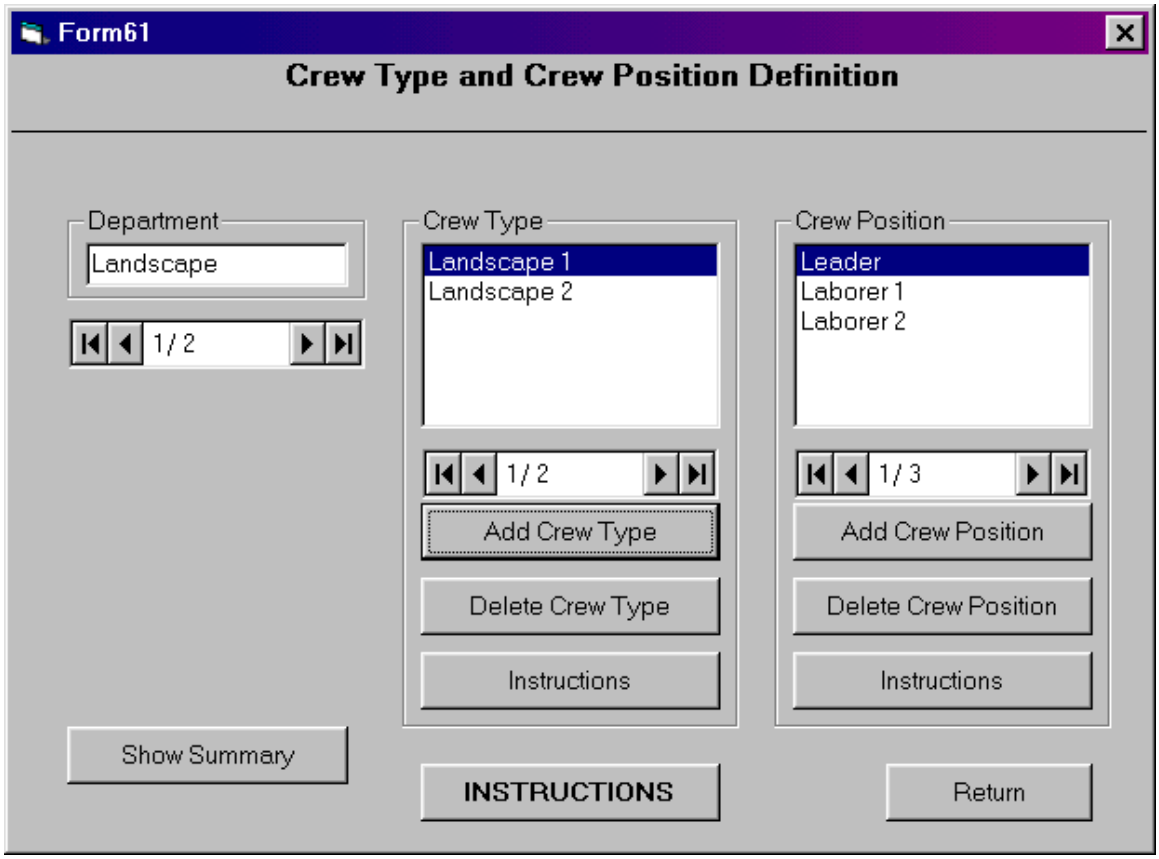
Work Crews:

Crew Types and Crew Positions must be defined for each Department in the company.

It should be noted that the company might be comprised of one department with one Crew type and one Crew Position.

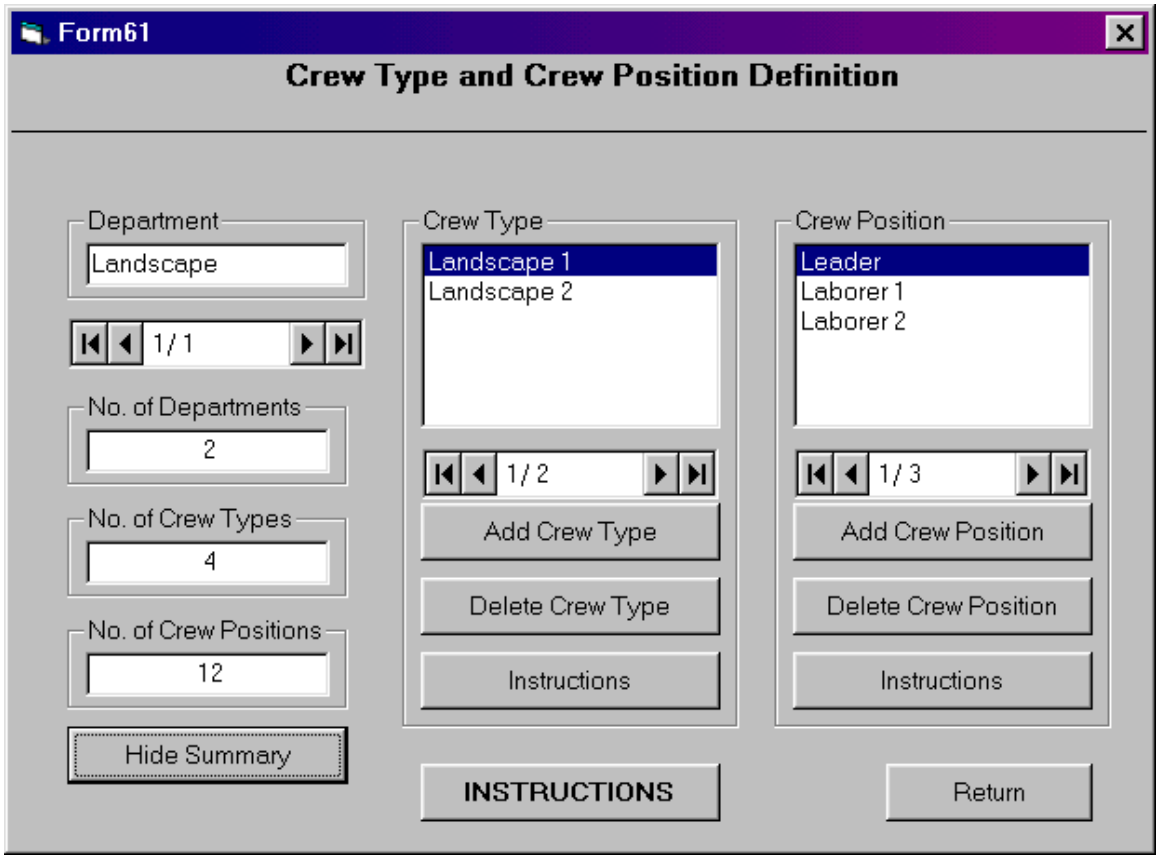
Each department can have an unlimited number of Crew Types and Crew Positions. The only constraint for Crew Type is that each Crew Type MUST have a unique name. The same is not necessary fro Crew Position, but it is easier to manage if the Crew Positions are also unique.

Example: If the department has three crews that do lawn mowing, they could be identified as Crew A, Crew B, Crew C or Crew 1, Crew 2, Crew 3, etc. The same approach would apply for the Crew Positions. Notice the names in the illustration.



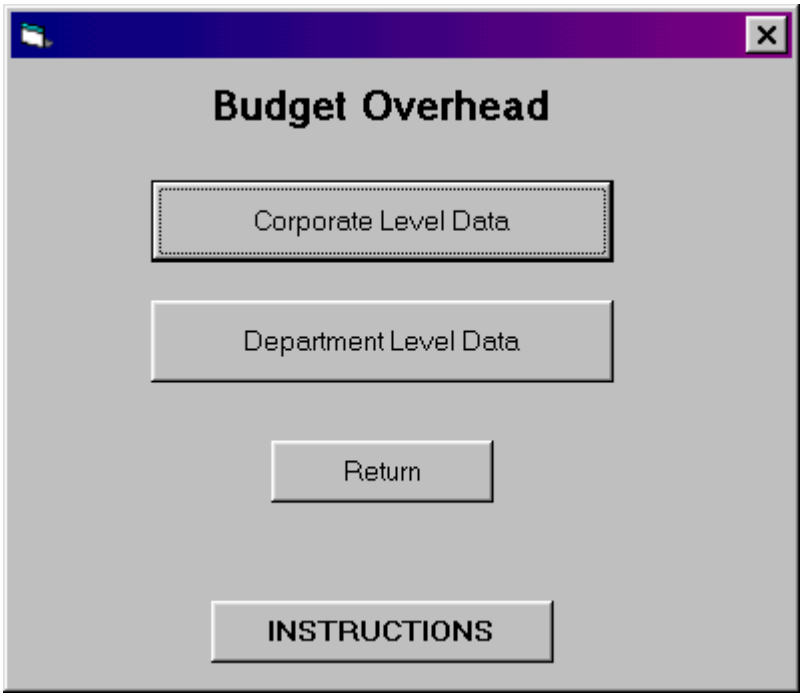
The buttons under the Crew Type and Crew Position lists are self-explanatory.

The ‘Show Summary’ button is provided to show the total number of Departments in the company, the total number of Crew Types, and the total number of Crew Positions in the Company.



MORS Budget Overhead:

The Budget Overhead category collects data about all the expenses that a company normally has to spend to conduct the business. MORS provides over 150 activities covering 29 categories of expenses that should be considered as recoverable overhead. Each of these categories is associated with an ABC number to reflect its recovery procedure.



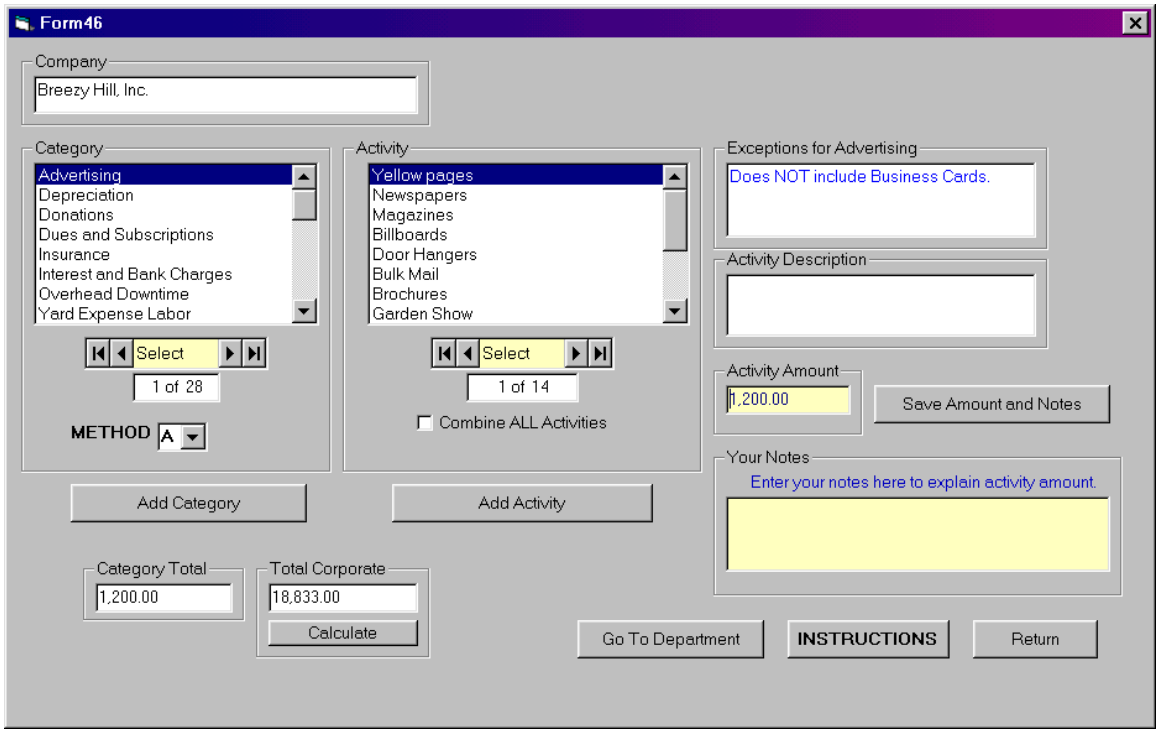
MORS allows Budget Overhead items to be considered at the Company Corporate level or as a Department unique expense.

Budget Overhead expenses entered at the Corporate level would reflect those expenses that benefit all Departments within the Company and is allocated to the Department based on the ABC category.

Department level data are expenses that a Department might incur that are unique to that Department.

Corporate Budget Overhead:

Corporate Budget Overhead data are the expenses that a Company incurs that benefit all Departments in the Company. The expenses are the allocated to each Department as defined by the ABC method ratios.



The procedure for entering data is to:

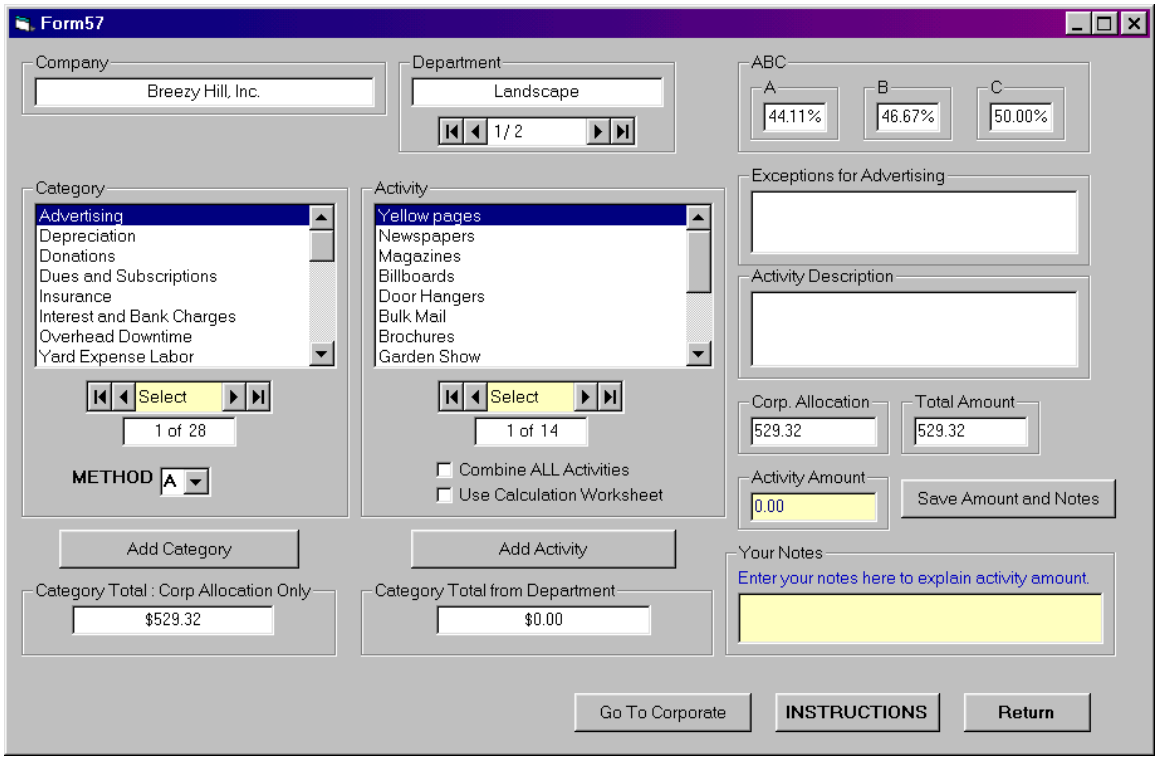
1. Find the appropriate Category using the 'Category Select' control.
2. Find the Activity using the 'Activity Select' control. If you records do not reflect individual Activity expense, click the 'Combine All Activities' check box.
3. Enter the dollar amount of the expense in the 'Activity Amount' box.
4. If you need, you can enter a note to explain any circumstances about the expense.
5. When data has been entered, click the 'Save Amount and Notes' button to record the expense.

You can change the data at any time just by re-entering the correct data and clicking the save button.

Notice also that new Categories can be defined if required. There MUST also be at least one Activity for the new Category. Also, new activities can be defined for existing Categories.

Department Budget Overhead:

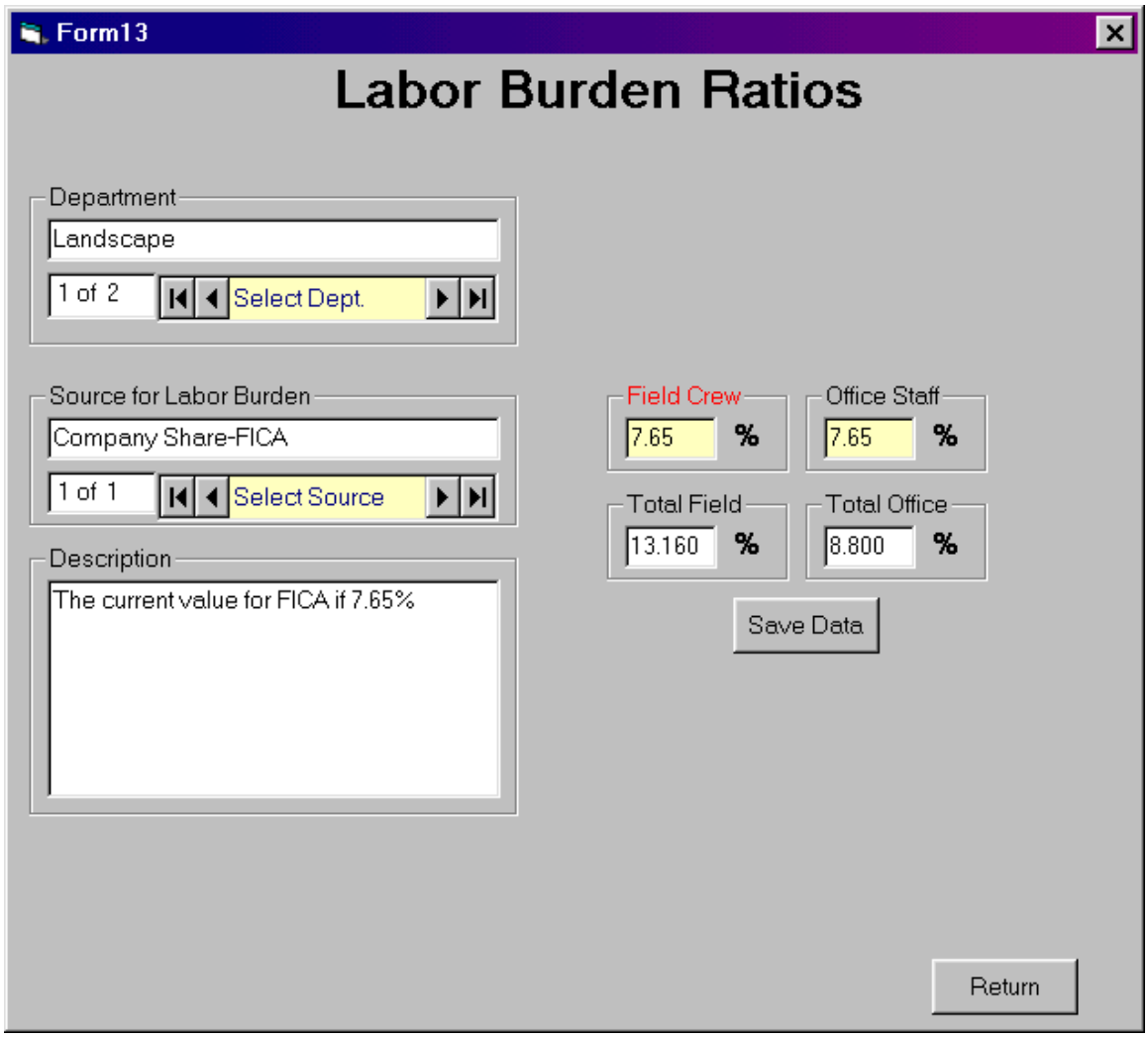
The Department budget Overhead form collects expense data that is unique to a Department. It is possible for a Department to share in the Corporate allocation of an expense and to also have additional expenses unique to that Department. These are totaled for the total Category or Activity expense for the Department.



In the bottom right of the form is a button labeled 'Go To Corporate'. Clicking this button will take you to the Corporate Budget Overhead form at the same Category and Activity selected on the Department form. This is handy if you need to see the Corporate expense or to ender data on the Corporate form. There is a similar button on the Corporate form that will take you from the Corporate form to the Department form.

Labor Burden:

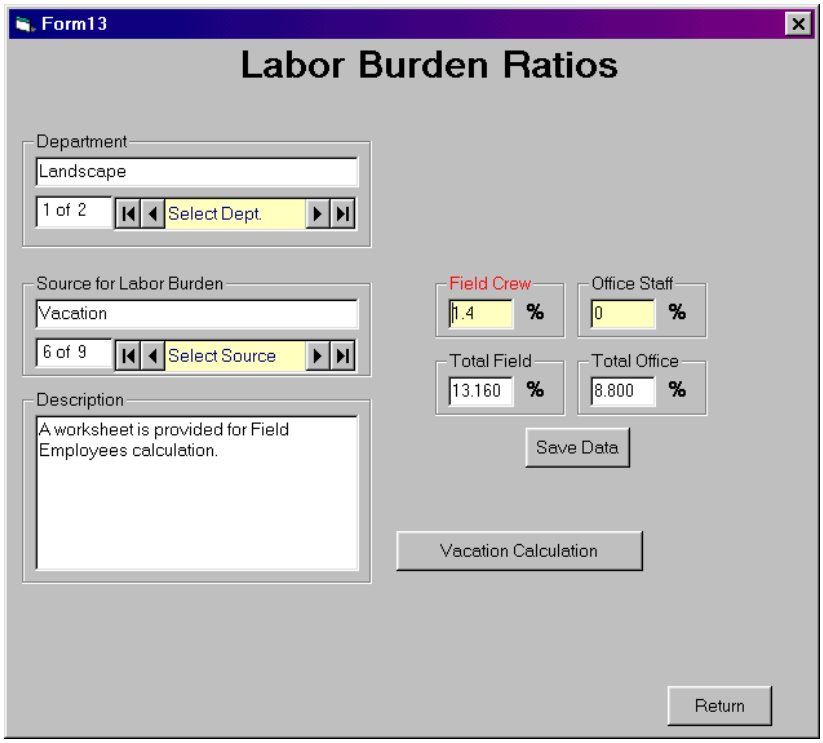
The Labor Burden Ratios are the percentages of salaries that must be paid to Federal, State and Local governments as taxes. This also covers percentages that will be needed to cover for vacation pay, sick leave, health insurance and holiday pay.



Each source of Labor Burden maintains values for both the Field and Overhead employees. In most cases, the values will be identical.

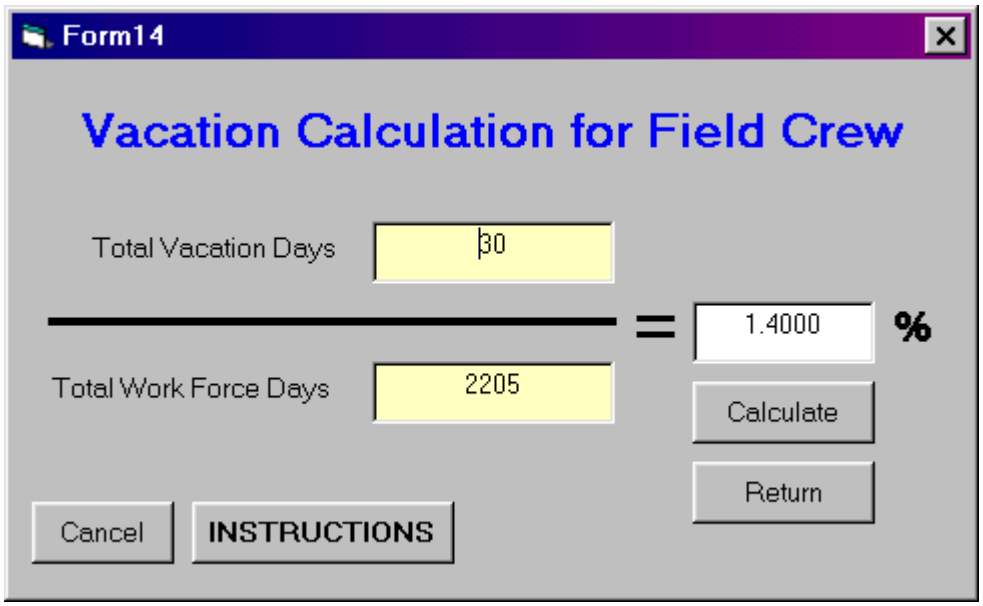
Field Employees Vacation Burden:

When entering the Vacation ratio for the Field employees, a button will appear labeled "Vacation Calculation'



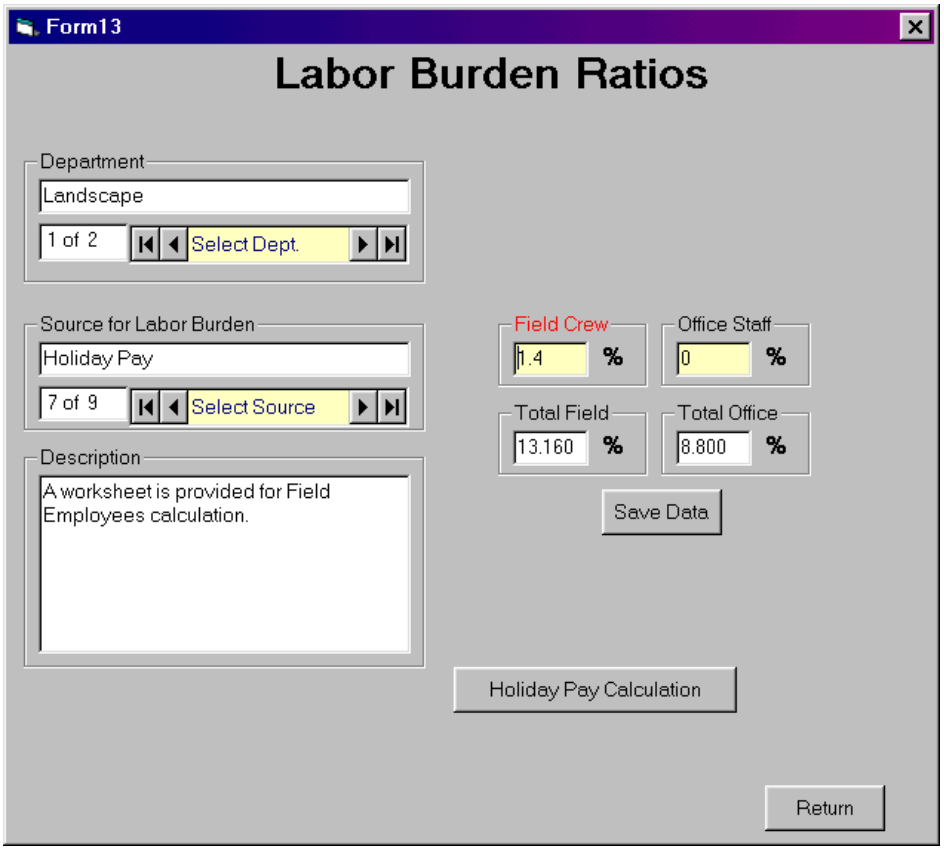
Buttons that appear in this area will access calculation worksheets that explain how to determine the burden percentage.

When you click on the 'Vacation Calculation' button, a form will appear with the data files in. This data is collected from the data input for the individual field employees.

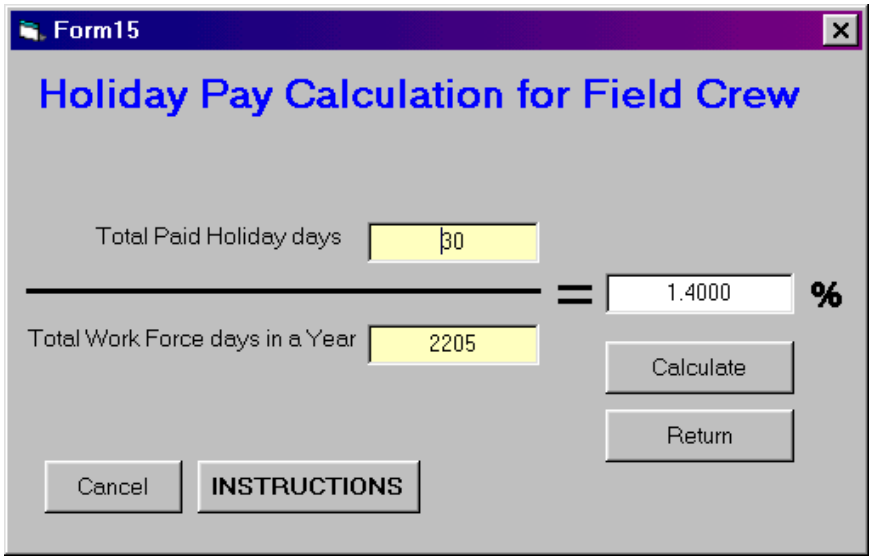


Field Employees Holiday Pay Burden:

When entering the Holiday pay percentage for Field Employees, a button labeled 'Holiday Pay Calculation' will appear.

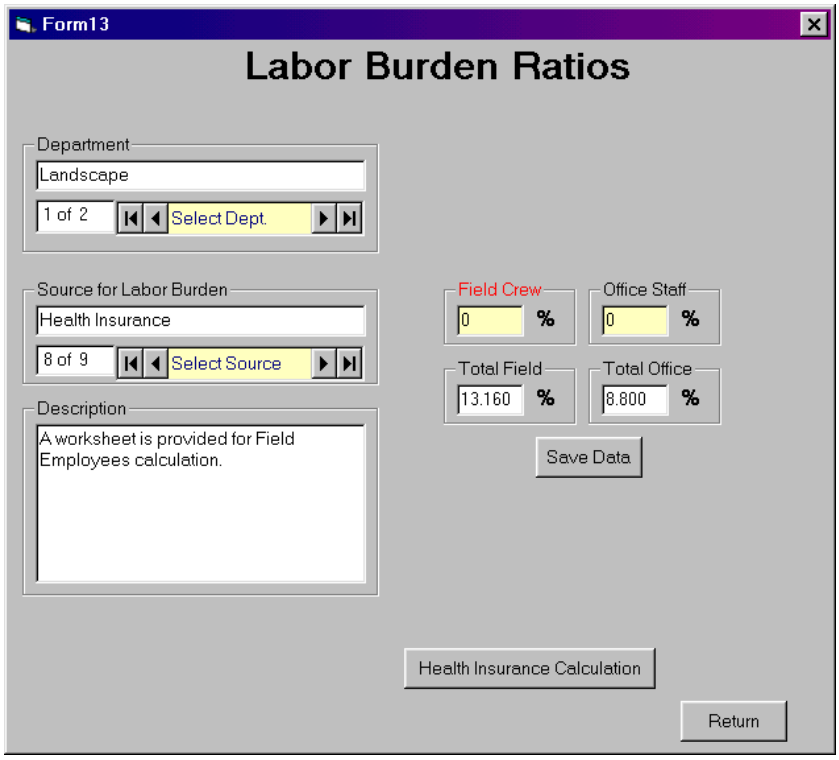


By clicking the 'Holiday Pay Calculation' button, the percentage will automatically be calculated.

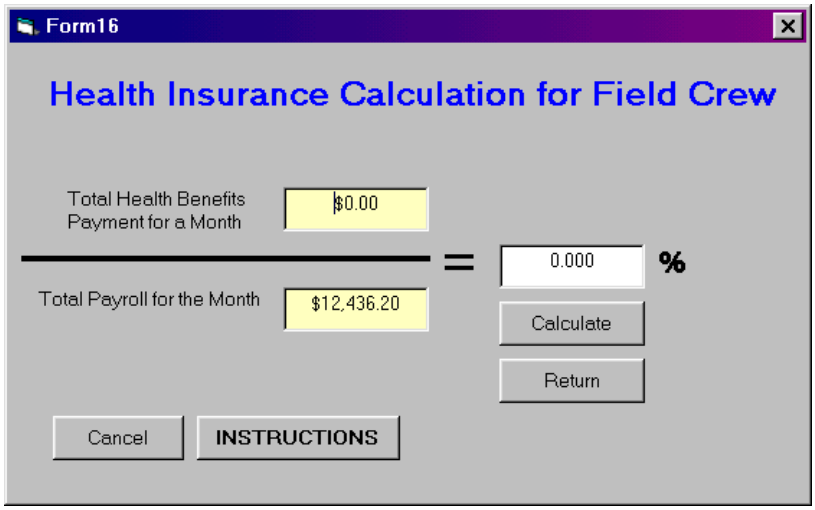


Field Employees Health Insurance Burden:

When selecting the Health Insurance burden for Field employees, a button labeled 'Health Insurance Calculation' will appear.



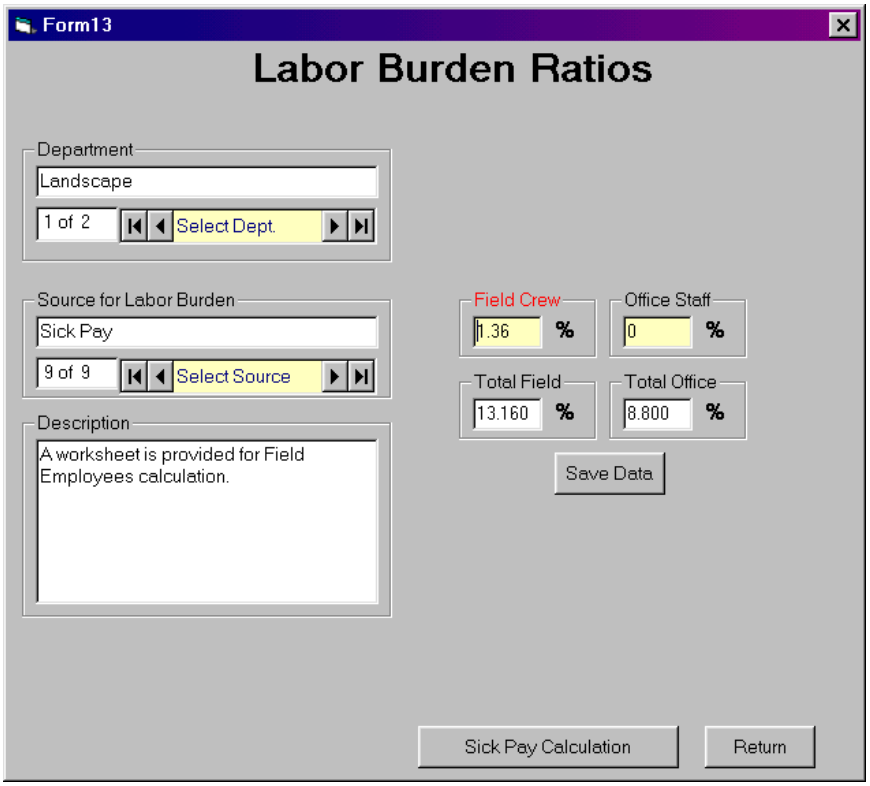
You must enter the total health benefits expense for a month in the area indicated. Then click 'Calculate' and 'Return'.



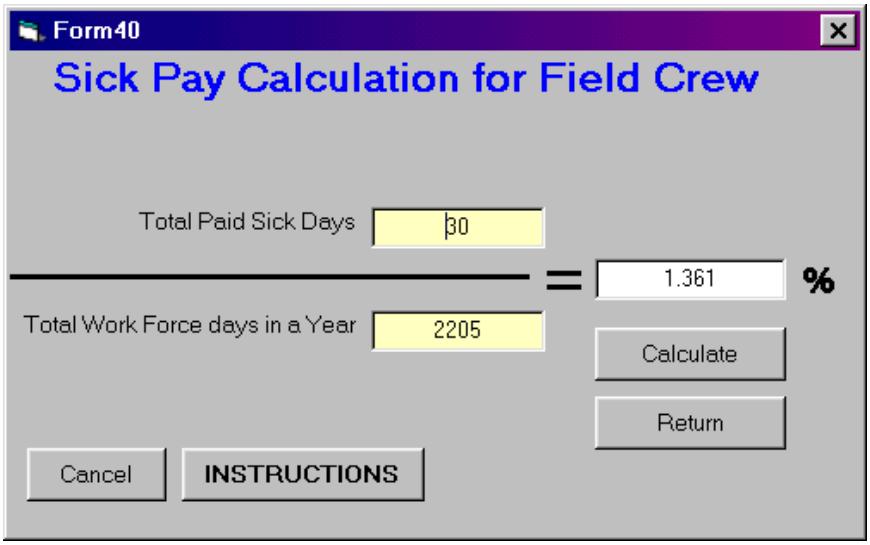
When you return to the Labor Burden screen, you will be prompted to use and save the calculated value.

Field Employees Sick Pay Burden:

When you select 'Sick Pay' for the field employees, a button will appear labeled 'Sick Pay Calculation'. Click on the button to display the Sick Pay Calculation form.



The for will display the calculation based on the data entered on the Field Labor Cost forms



When you return to the Labor Burden form, you will be prompted to use and save the calculated value.

Labor Cost:

The capture of Labor Costs is divided into two categories:

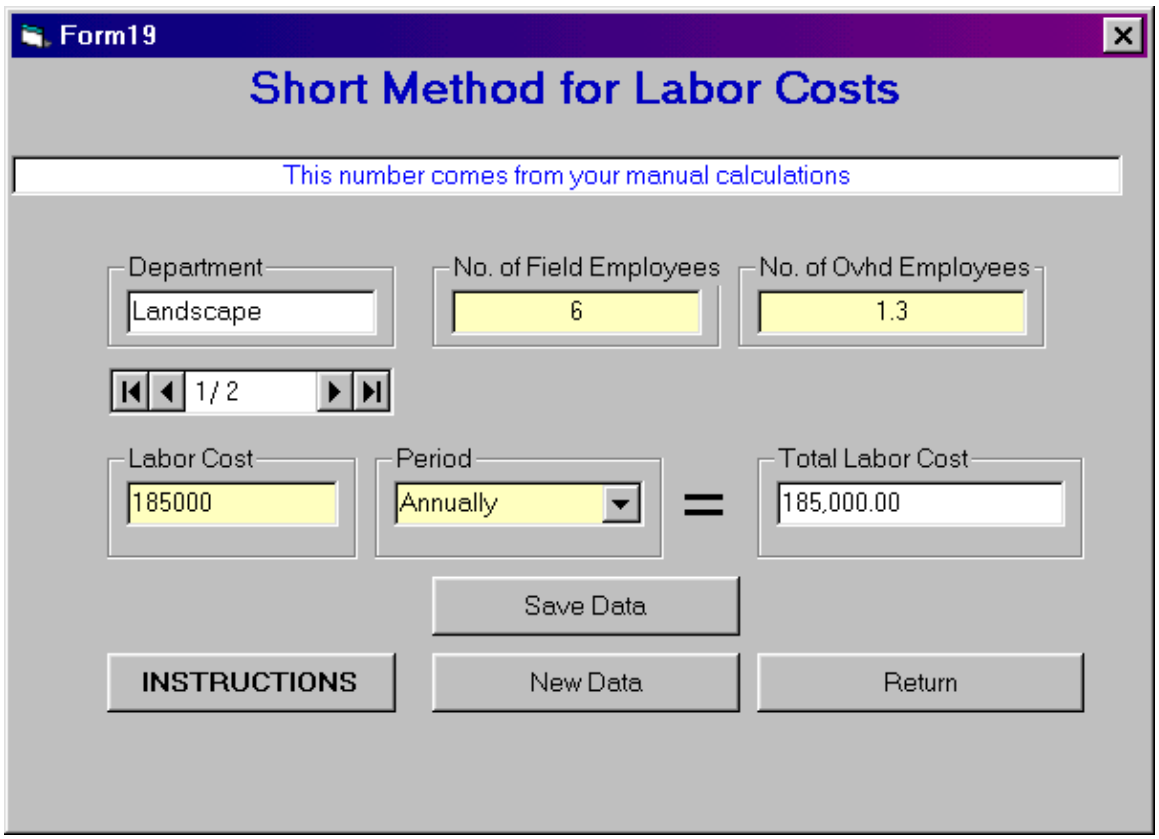
- Overhead Employees
- Field Employees

Overhead Employees are those that perform necessary duties to run the company, but do not physically work in the field for the company. Field Employees are those whose work is billed directly to a job.

For each of these labor categories, there are two ways to collect the information for the work force. The 'Short Method' is a gross number for all employees in each category grouped together as the total payroll. This is handy for a first look and the labor mark-up calculation. The 'By Individual' method captures detailed information about each employee.

Labor Cost Short Method:

The Short method form for Labor Cost collects the minimum amount of data for each department in the company.



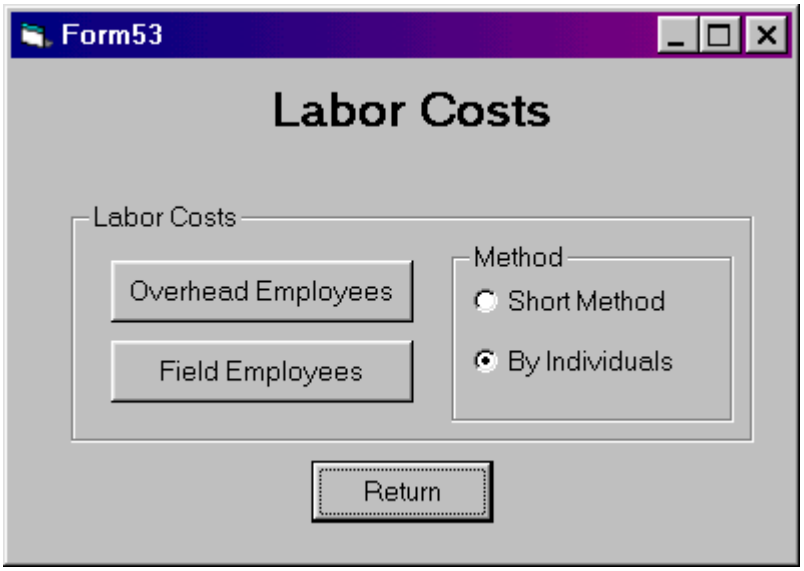
The data entered consists of;

- The Labor Cost for the department either weekly, monthly, semi-annually or annually,
- The number of Field people in the department,
- The number of overhead people in the department

After the data is entered for a department, click the 'Save data' button and proceed to the next department.

Labor Cost by Individual:

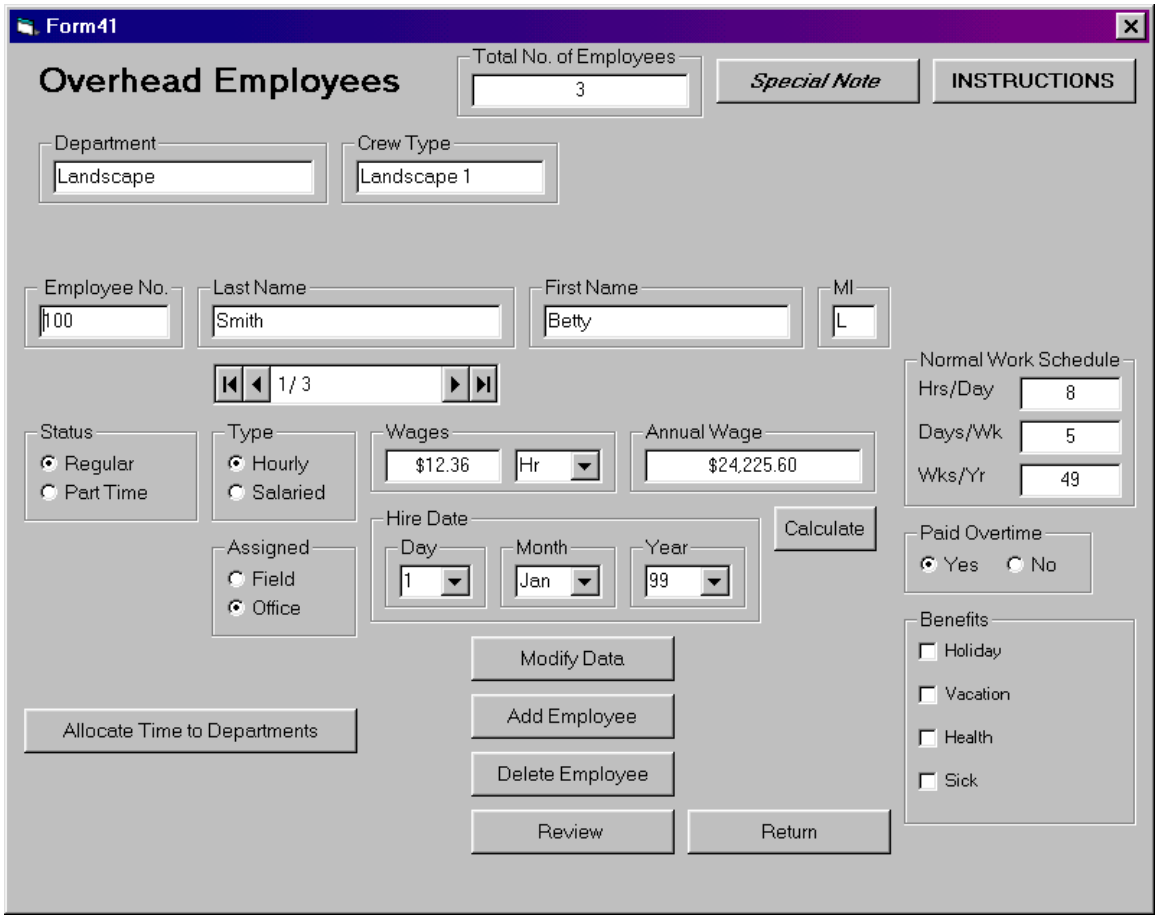
The most accurate picture of labor cost is to enter the detailed data for each individual employed by the company.



Each category of employees, Overhead and Field, is entered separately since the data for these employees is handled differently.

Overhead Employees:

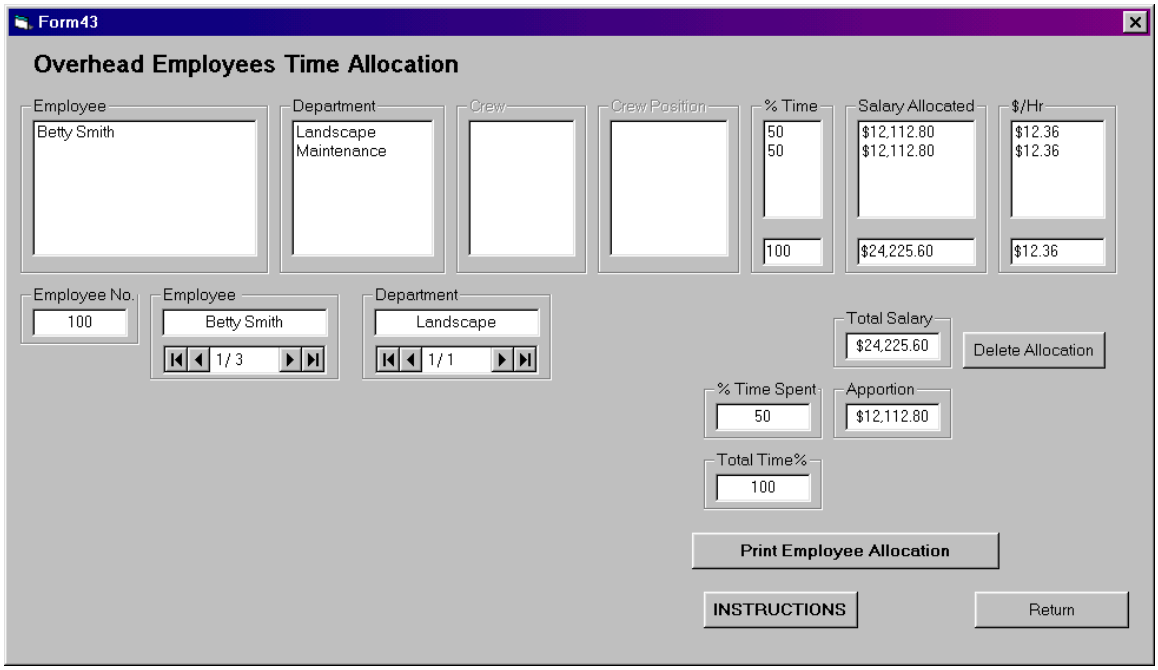
The following form is used to collect data for the Overhead Employees.



To 'Add' an employee, click the 'Add Employee' button and fill in the data in the yellow boxes. When all of that individuals data has been entered, make sure you save the data. All data can be modified or changed at any time by clicking the 'Modify Data' button.

Since a worker may devote their work time in support of various departments, you can 'Allocate Time to Departments. This will allow you to specify what portion of a workers' time will be dedicated to each department. Note that when the individual's data is initially entered, 100% of the workers time is allocated to the department assigned on the data entry form.

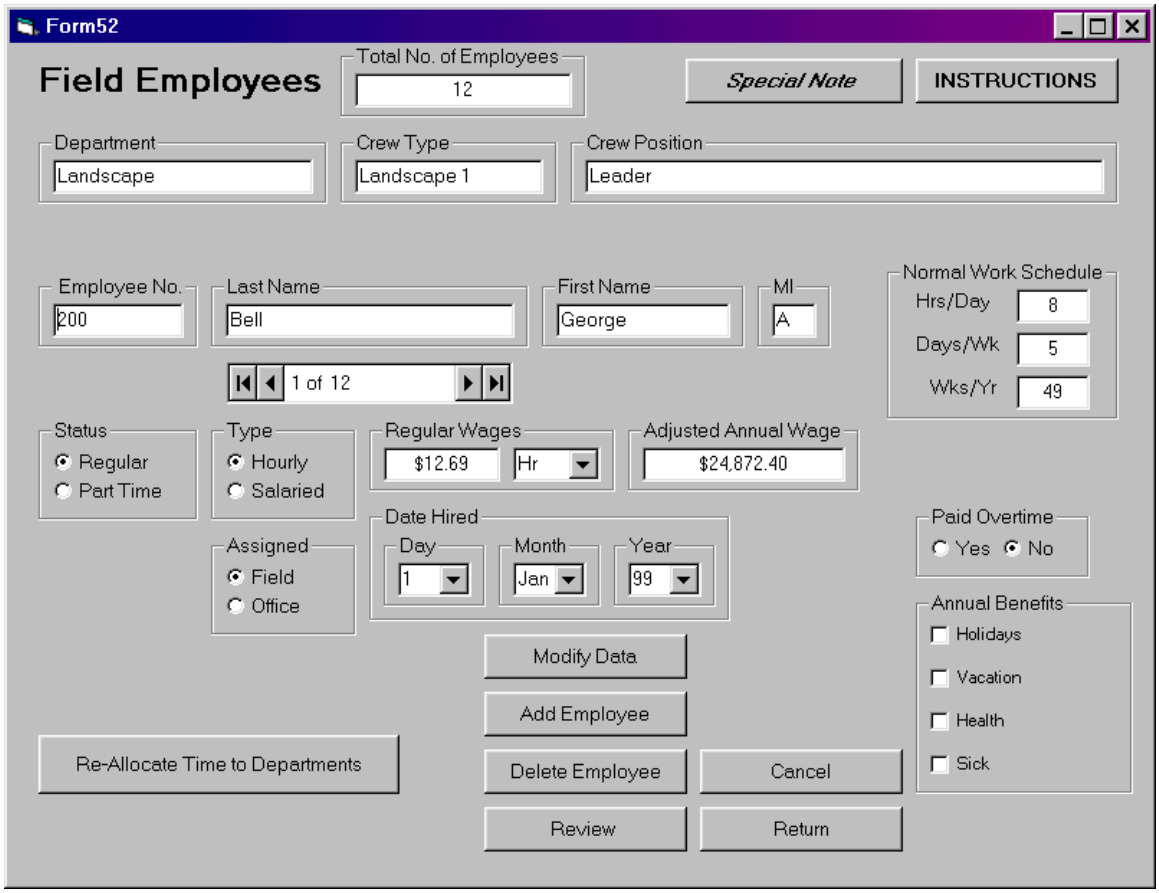
When you click the 'Allocate Time to Departments' button, the form shown below will appear showing the current allocation. The first time that this form is selected for an individual, the time will be 100% allocated to one department.



To re-allocate time, first click the 'Delete Allocation' button. Select the department for which time will be allocated, enter the percentage, and click the 'Allocate' button. When you save the data, the allocation will be displayed in the list boxes above. Continue the process until 100% of the person's time has been allocated.

Field Employees:

The Labor Cost for the Field Employees is collected on the form shown below.



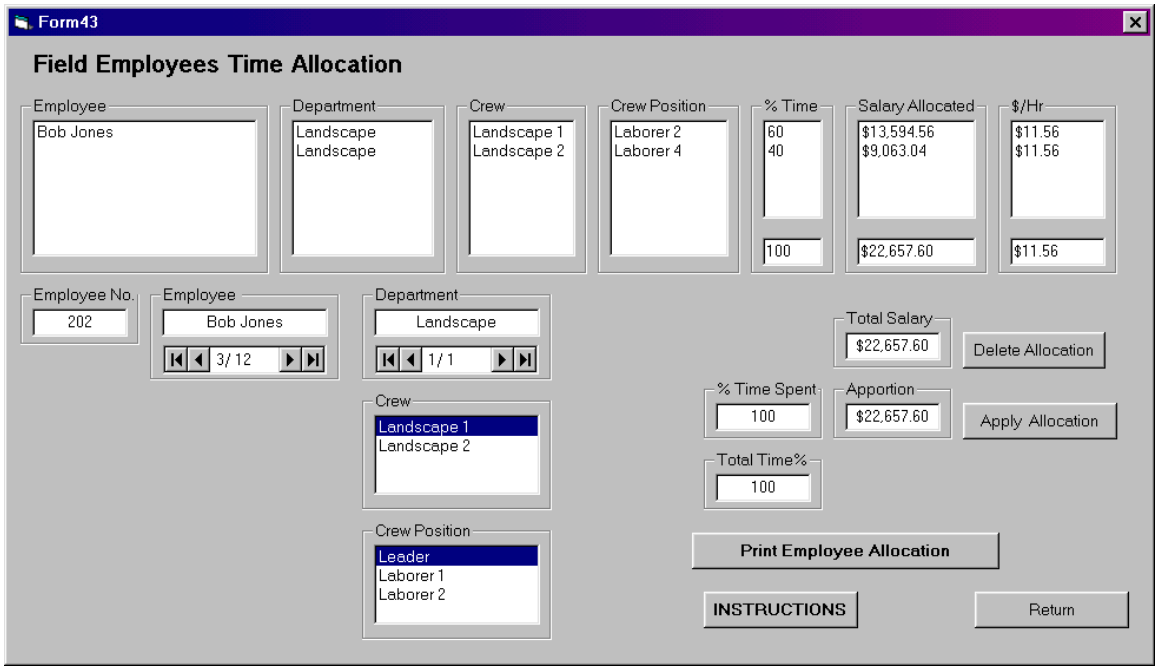
The form operates the same as with Overhead Employees form.

Overtime Factor Calculation: If the Normal Work Schedule exceeds 40 hours/week then overtime is automatically calculated. For example: If the Normal Work schedule is 8 hours/day and 7 days/week then there would be 56 hours of work. This would be 16 hours overtime and would be paid at 1.5 times regular pay –OR- the equivalent of 24 hours paid at regular pay rate.

Annual Benefits: Click on the check boxes for the benefits that each employee is entitled. The amount of the benefit will display the current value. If you want to change a benefit for an employee, simply type the desired value in the box and save the data. To remove a benefit from an employee, simply un-check the benefit box.

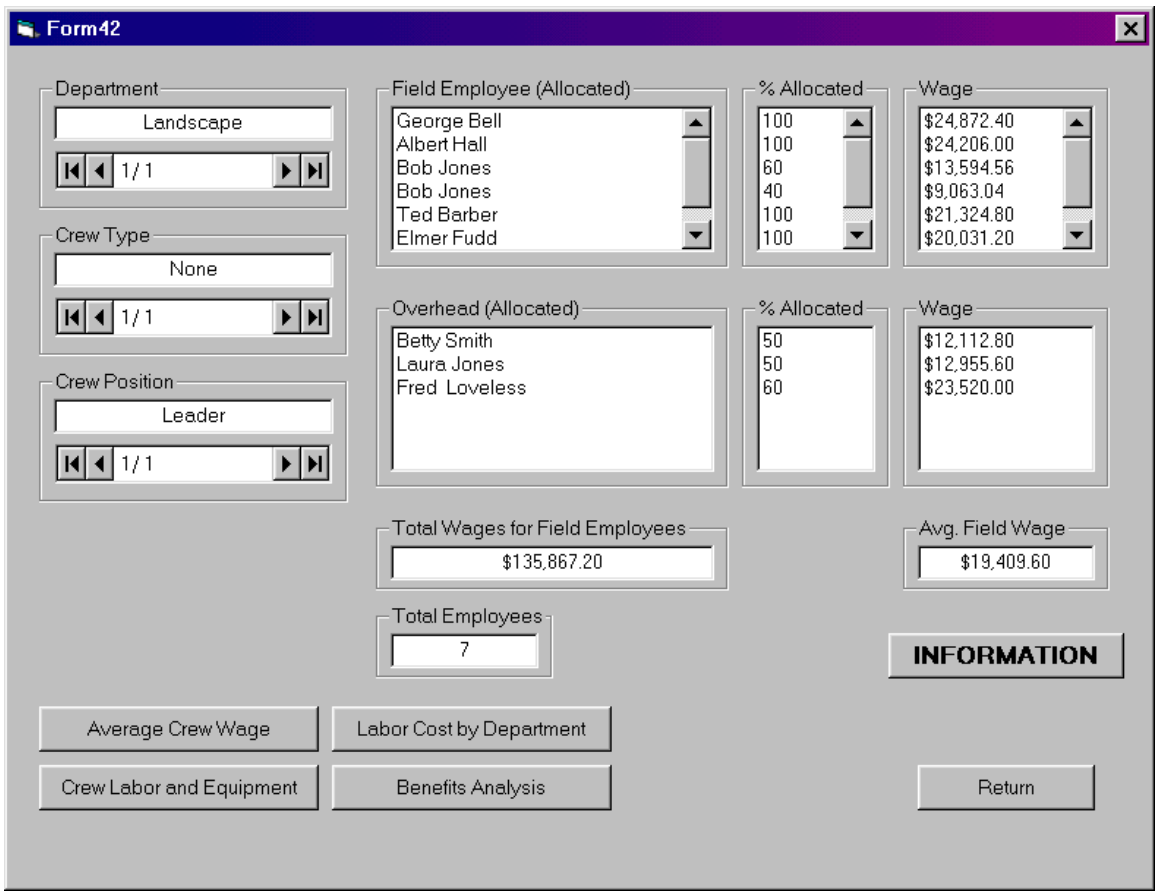
Re-Allocate Time to Department:

A Field employees time can be allocated to other departments in any percentage. The total percentage cannot exceed 100%. Simply select the employee, the department and the percentage of time that the employee will be spent working for that department. The allocation affects the ABC numbers calculated and ultimately costs associated with that department. Not only can you allocate work time but you can also select the Crew and position on that crew which will be assigned. This is used when calculations are made to determine average crew wage and cost to field that crew.



Review Button:

At the bottom of both the Overhead Employee and Field Employee forms is a button labeled 'Review'. When this button is clicked, the form shown below is displayed.



The form will list both Field and Overhead employees assigned to each department, the percentage of their time allocated and the amount of annual wage for which the department is responsible. The form also calculates and displays the average annual wage for the department.

There are four buttons in the lower left of the form that display data in a useful way.

Average Crew Wage:

The ‘Average Crew Wage’ button will display the form shown below to display the average crew wage for each crew in each department.

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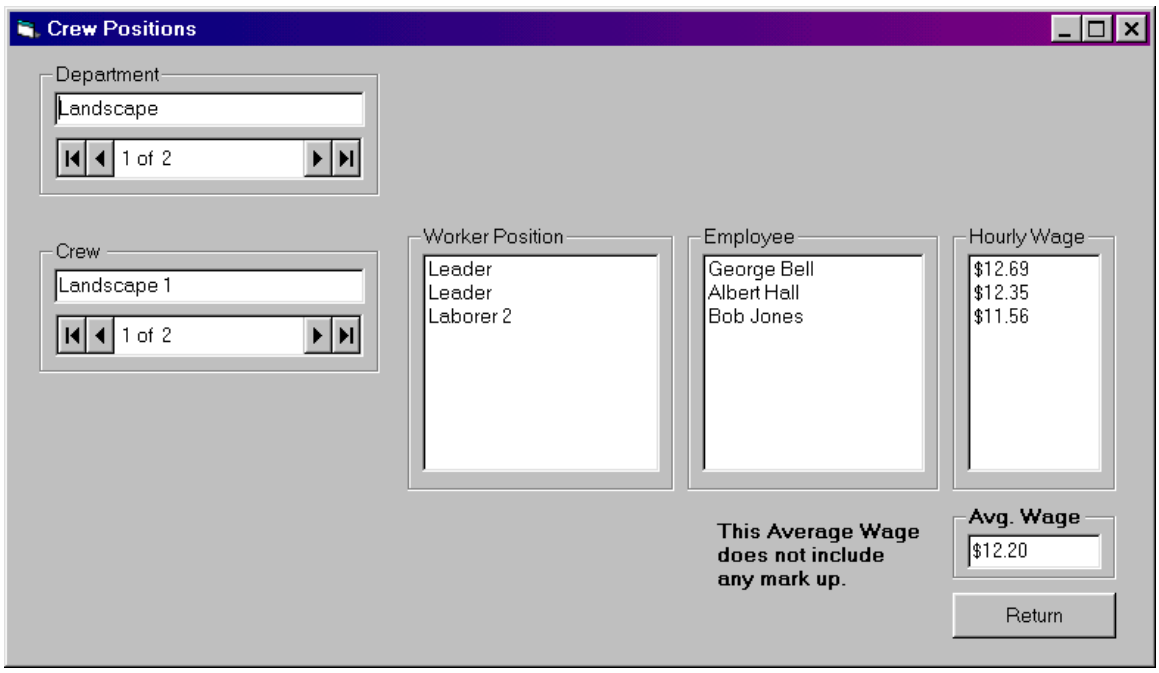
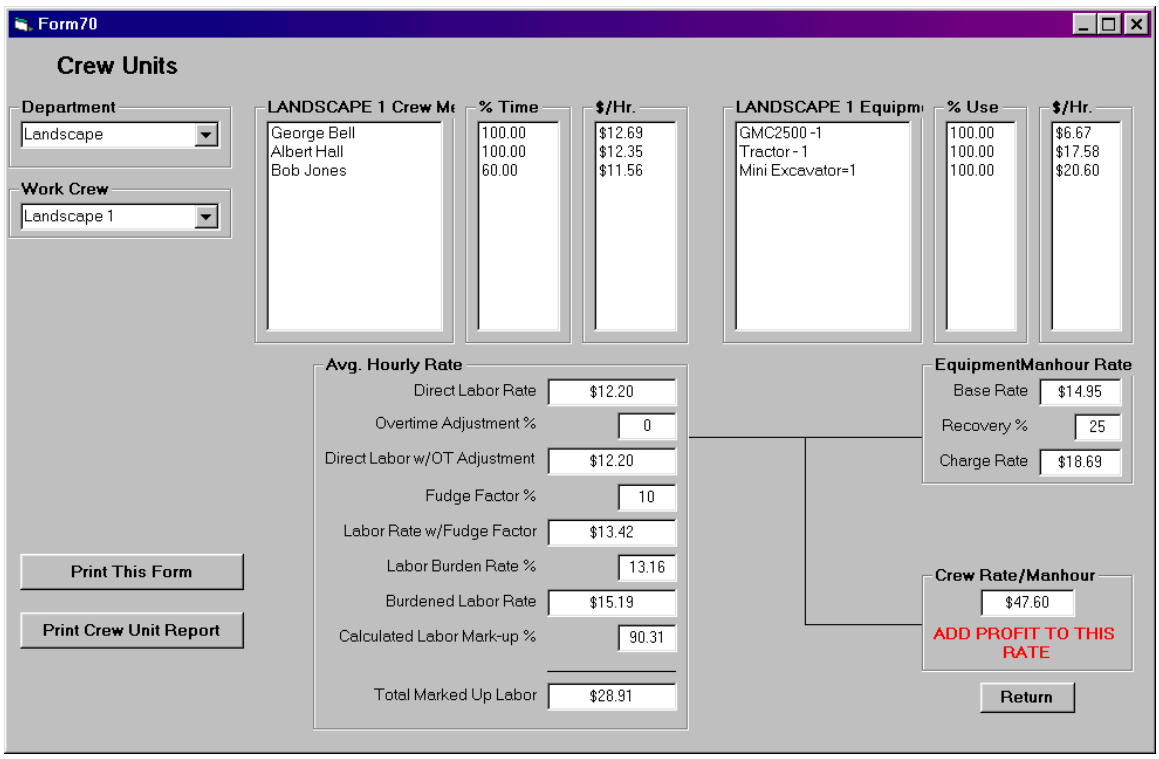


Crew Labor and Equipment:

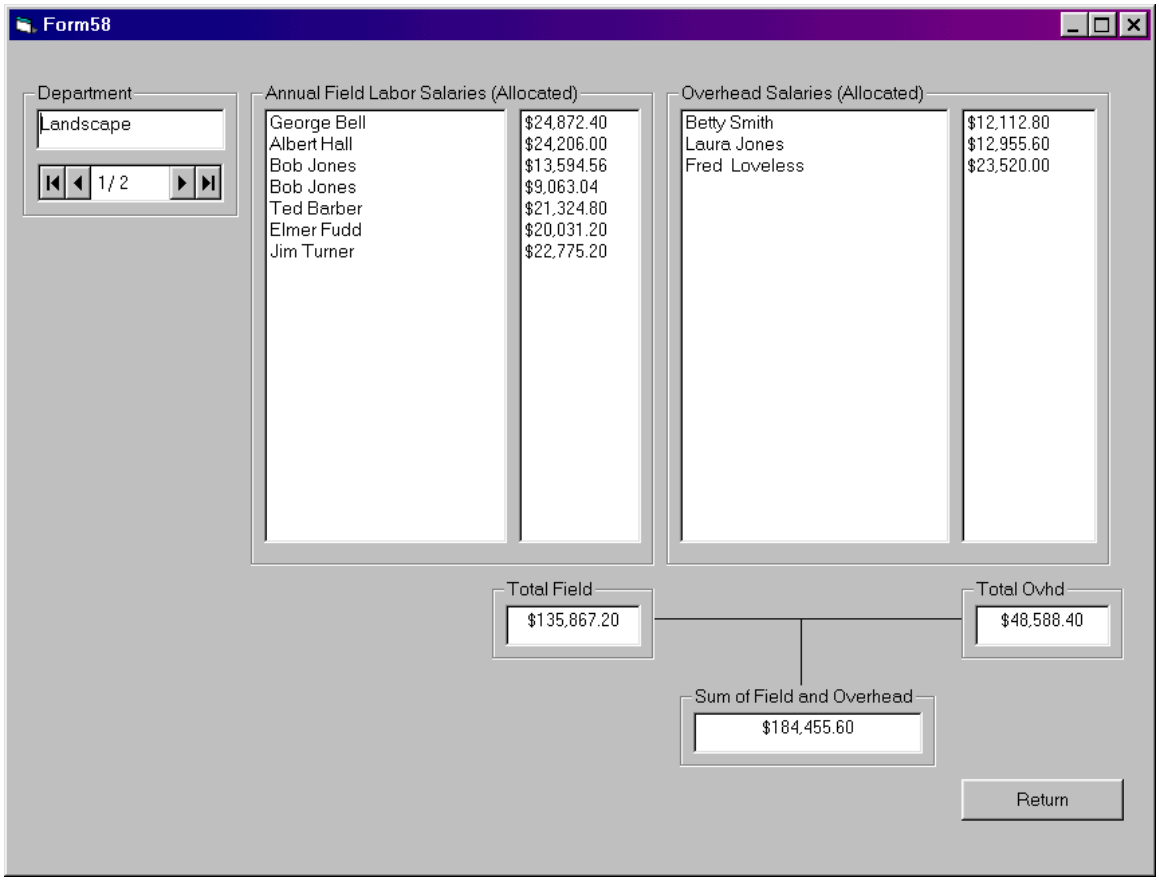
The ‘Crew Labor and Equipment’ button will display the average hourly rate, the Equipment man-hour rate and the combined Crew/Man-hour rate for each crew.



This for indicates all the factors that are used to calculate the adjustments to the produce the ‘Average Hourly Rate’ for labor and equipment.

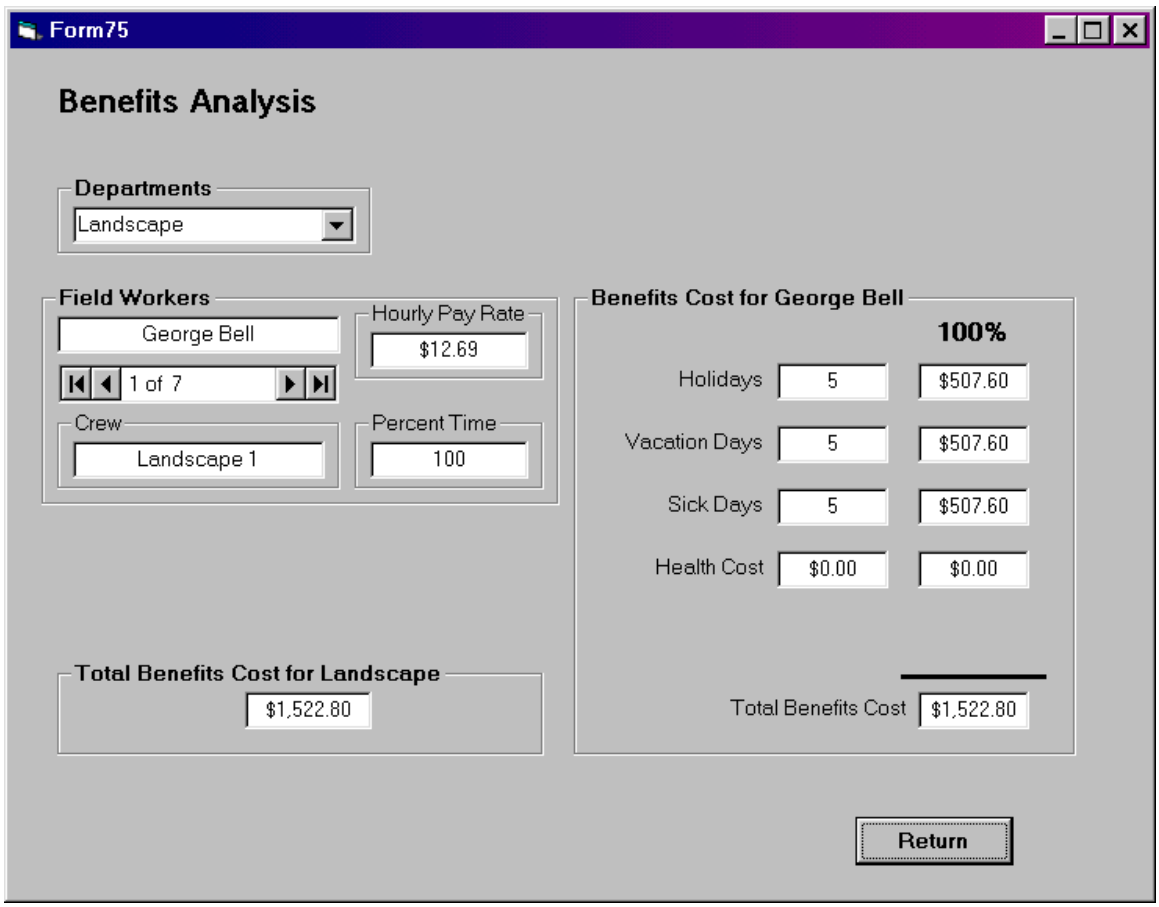
Labor Cost by Department;

This form calculates the annual salary for both Field an Overhead people that are allocated to each department.



Benefits Analysis:

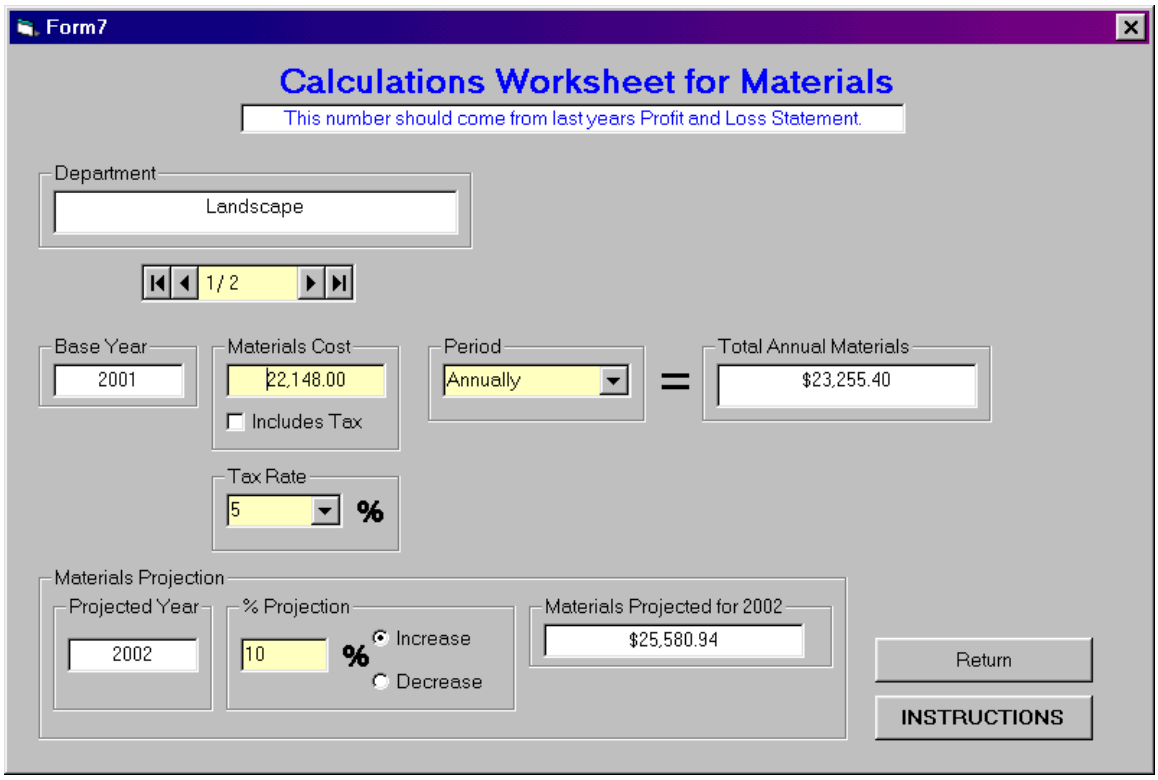
The Benefits Analysis form calculates the benefits cost for each worker and the percentage that will be charged to the department. The total benefits cost for each department is also calculated.



Materials:

The calculation worksheet for Materials captures the gross expenses for materials for each department. The materials cost are entered and then check whether the cost includes sales taxes or not. The sales tax rate can also be entered as a percentage.

Given the material cost for the base year, then enter the percentage increase or decrease that is expected for materials for the next year.



Remember to save the data entered. The data can be changed or updated later if needed.

Equipment:

Equipment represents a major expense for most companies. It is important to determine exactly what a piece of equipment will cost you over its lifetime so that you can accurately calculate the cost per hour that you need to recover from work performed.

The "Equipment Cost Worksheet" in the MORS program collects all the data needed for the variables that used to calculate the hourly cost for a piece of equipment. The following discusses each variable so that you can understand what data is needed to calculate an accurate cost.

1. **The Purchase Price: (Always use pricing for New equipment)**
   The price entered should be the cost of the equipment when new.

2. **Inflation Factor:**
   The inflation factor is normally 10%. This will account for the increase in the replacement cost for the equipment in the future. The inflation cost is passed through the charge for the equipment.

3. **Financed Amount:**
   This is the portion of the equipment cost that you have financed. The interest on the amount will be added to the cost of the equipment.

4. **Interest Rate:**
   This is the interest rate the the bank of finance company is charging to pay over time. The cost of interest is included in the pricing of the equipment.

5. **Finance Period:**
   The Finance Period is the time of the loan, usually expressed in years. This is needed to calculate the total interest you will pay.

6. **Years of Service:**
   This is the number of years you expect to use the equipment before having to replace it. The type of equipment will determine its useful lifetime.

7. **Use(hrs/day): Metered Hours vs. Sitting Hours**
   There are two ways to determine how many hours a day you use a piece of equipment. For equipment, such as a pickup truck, that goes out on the job every day in the season, the cost should be based on "sitting hours" or a basis of 8 hours per day. Consider the pickup truck that is driven to the job and sits there while the work is being done. That trusck is available exclusively to that job and is required for transportation for that job. No one else will have access to the truck for other jobs. This is also easier to figure rather than keeping detailed records of activities involving the truck for each job.

For equipment that is expensive and/or specialized where you might only need the use uf the equipment for an hour or two., then the equipment will be cost by the metered hour. For example, you would not bill a customer for the whole day if all you are doing is planting flowers. As an easy rule of thumb, if the equipment has an hour meter that clocks operating time then it use the average number of hours that the equipment runs in a year times the life expectancy in years to calculate the cost. This will produce a higher hourly cost over the "sitting time" estimate, but you are only charging the customer for the time it is used for that job.

Whether you use "sitting time" or "metered time" the end result should come out the same.

Metered Hours Example

You paid $25,000((including financing, inflation, maintenance, etc.) for a skid steer and cost it out based on using it 400 hours a year for 6 years, a total of 2400 hours. If you divide the cost of the equipment ($25000), by the total number of hours that you will use the equipment (2400), then the hourly cost you need to charge is $10.41/hour.

Sitting Hours Example

Given the same skid steer, the hourly cost based on a sitting hour would assume that you will work 40 hours/week for 40 weeks. This is 1600 hours in a season. Once again, assume a 6 year lifetime for the skid steer. The total number of working hours is the 9,600 hours. Now if you divide the cost of the skid steer ($25000) by the number of hours needed to recover the cost, the hourly rate for the skid steer is $2.60. You need to charge @.60 for every working hour or $20.83 for an 8 hour day for every day for 6 years just to recover the cost of the skid steer.

Both ways will recover the cost of the equipment. The metered hour rate is high but you are charging just for the time actually used. The sitting hour rate is much lower but you are charging just to have the equipment available if needed for that job.

8. **Use(days/week):**
   How many days in a typical week will you use the uquipment.

9. **Use(weeks/year):**
   This is normally calculated as the number of weeks that your work season lasts. A short season will increase the hourly cost of the equipment in order to recover the cost of the equipment.

10. Maintenance Cost/Year:

This is the annual cost to maintain the equipment. This should include parts replacement, belts, hoses, brakes, oil changes, etc. Do not include the cost of fuel in this item.

11. Gas and Oil/hour:

This is the Gasoline only for a 4-cycle engine or the Gas/Oil mixture for a 2-cycle engine. (Ol Changes for engines are entered in the Maintenance Item.

12. Insurance/Year:

This is the cost of the annual insurance for this piece of equipment.

13. Property Tax:

If your State, County or City imposes a property tax, calculate the annual tax for each piece of equipment.

14. License/Tags:

This is the annual cost of licenses and tags that are required to operate this piece of equipment.

15. Salvage Value:

At the end of the useful life of the equipment, what do you expect to get for it when sell it used.

TOTAL COST CALCULATION

16. Equipment Cost/hr:

This is the cost/hr of the equipment taking into consideration the number of years it will be in use, the hours per day it will be used, the purchase price of the quipment, interest on a loan, and the salvage value**.**

17. Maintenance Cost/hr:

This is the total cost of maintenance expected for this piece of equipment over its lifetime divided by the number of total hours in its lifetime.

18. Gas and Oil/hr:

This is the hourly cost of fuel needed to operated the equipment.

19. Miscellaneous Cost/hr:

This accounts for all the extras: Licenses, tags, taxes, insurance, and any expenses unique to this piece of equipment not covered in other categories.

20. TOTAL COST/HR:

This is the total cost per hour needed to be charged just to own and operate the equipment. This is the sum of the equipment cost/hr., the maintenance

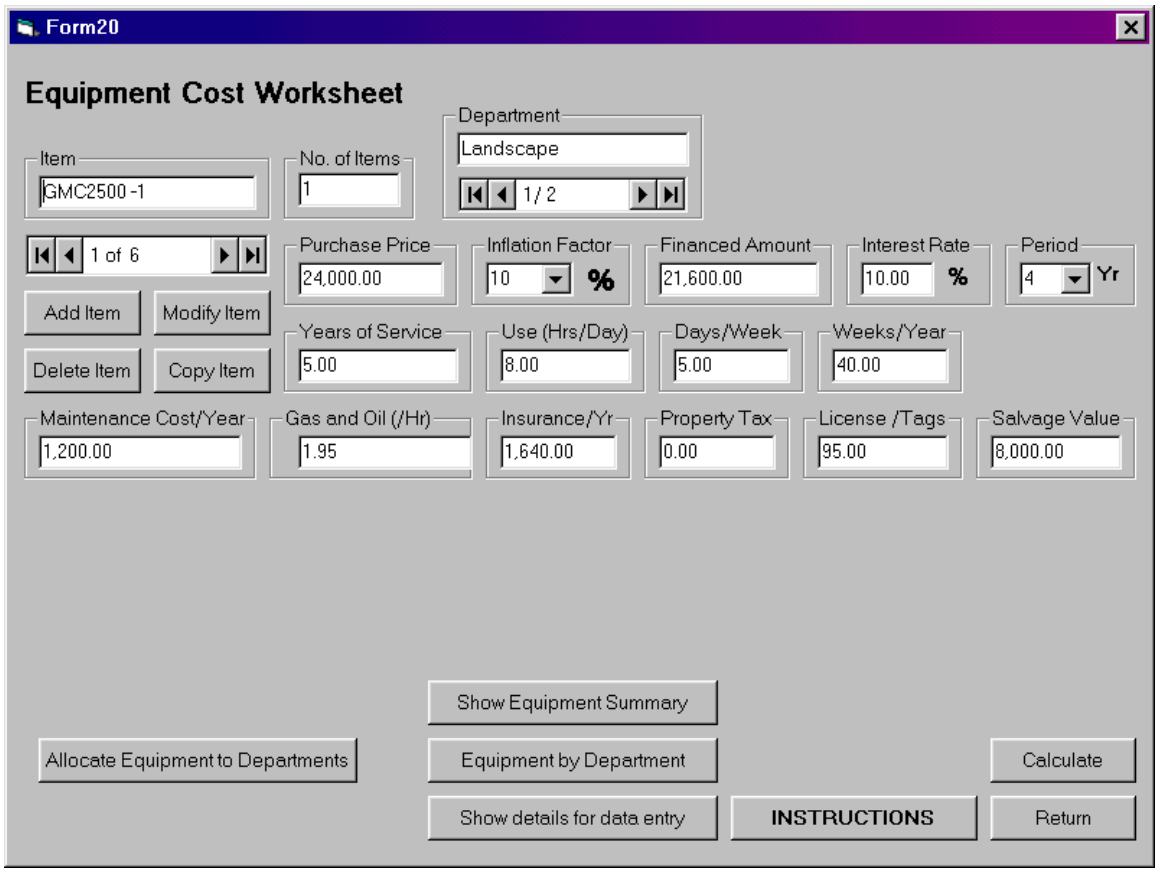
cost/hr., gas and oil/hr., and miscellaneous cost/hr,. Keep in mind that this does not include overhead recovery markups.

21. Yearly Cost/Item

The Yearly Cost for the equipment item is the Total Cost/Hr. times the number of hours worked in a year.

Equipment Cost Worksheet:

The Equipment Cost Worksheet collects pertinent information on each piece of equipment owned by the company or department. Calculations are made to determine the Cost per hour that must be charged to recover the direct cost of the equipment item.



The four buttons under the 'Item Control' selector control the method of data entry.

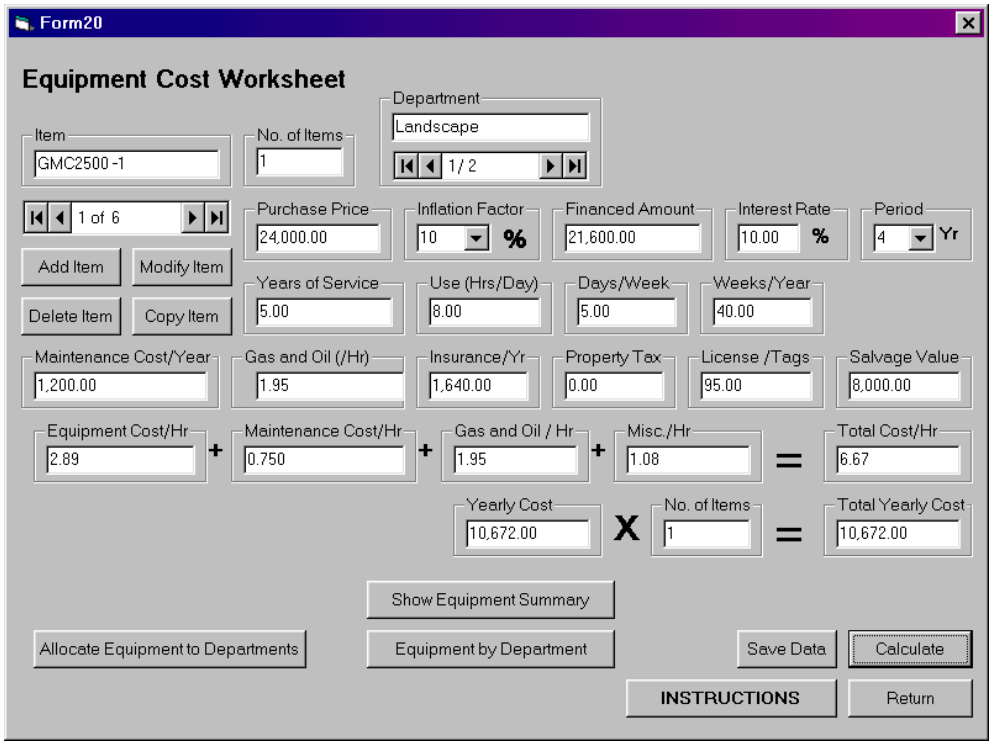
- **Add Item** - When the 'Add Item' button is clicked, the data boxes will be cleared and turn yellow. Enter data in all the yellow boxes. If unknown or not applicable, enter zero (0). When all data has been entered, click the 'Calculate' button and the calculations will appear. If the data has been entered properly, click the 'Save Data' button to record the item.

- **Modify Item** – To modify (change) data on a current item, click the 'Modify Item' button. The data boxes will turn yellow and be unlocked for changing. When changes have been completed, click on the 'Calculate' button to recalculate. Save the data by clicking the 'Save Data' button.
- **Delete Item** – Clicking the 'Delete Item' button will erase the record that contains the currently displayed item. BE CAREFUL with this button.
- **Copy Item** – If an item contains data that you want to duplicate, you can use the 'Copy Item' button to copy all the data for that item. An indicator will appear indicating the item copied. Then click on the 'Add Item' button and then click the 'Paste Item' button to insert the copied data. Now change any data that may be different and then click the 'Calculate' button. Remember to 'Save Data'.

NOTE: When entering the name of the item, make the name unique. Example: if you have two 1999 GMC2500 pickup trucks, call one GMC truck 1 and the other GMC truck 2. Keeping each piece of major equipment separate will be important when accounting for maintenance.
Do not enter the truck once and indicate that there are two items in the 'No. Of Items' box. Enter the data, save it, and then copy it thus creating 2 records.

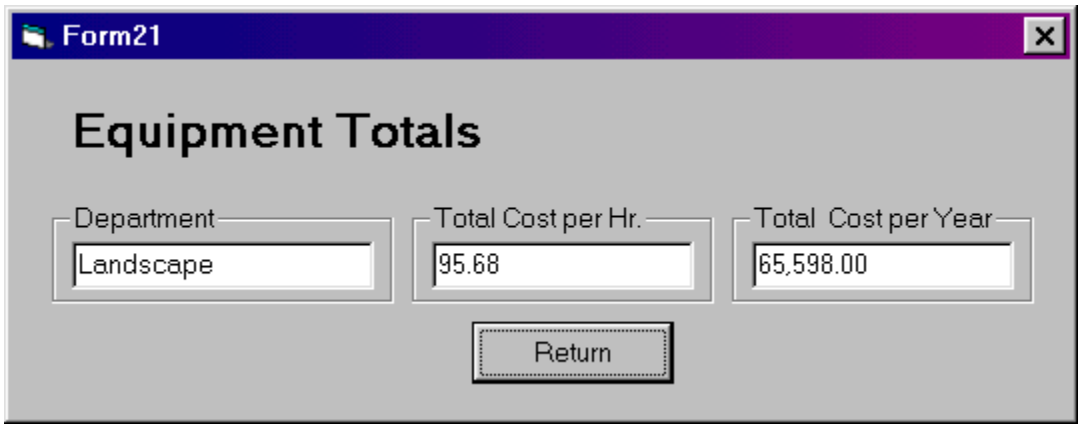
There is an on-screen button labeled 'Show Details for Data Entry' that explains each area for data entry. It is important to understand exactly what data is stored in each of the items so that the proper determination can be calculated for the equipment pricing.

When you click the 'Calculate' button, the form will appear as shown below.



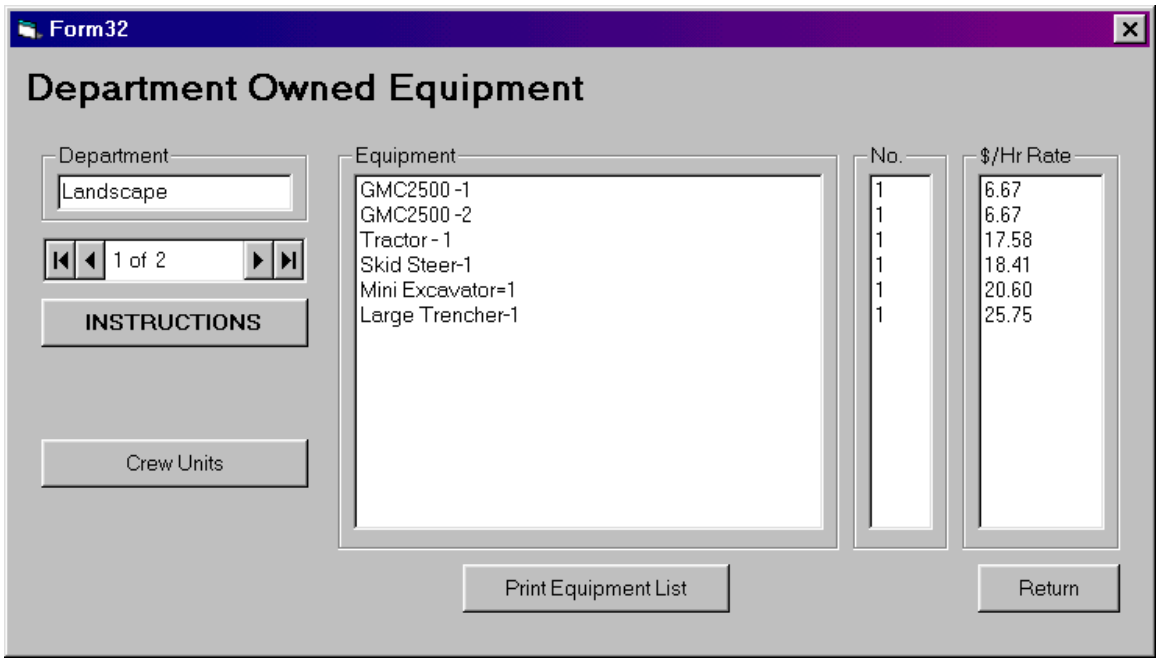
Show Equipment Summary:

When you click the 'Show Equipment Summary' button, the Equipment Totals form will display the total of all the equipment in the selected department. The Total Cost per Hr. is the hourly charge capability for all the equipment assigned to that department. The Total Cost per Year is the amount that would be generated if the equipment were charged for the scheduled work year.



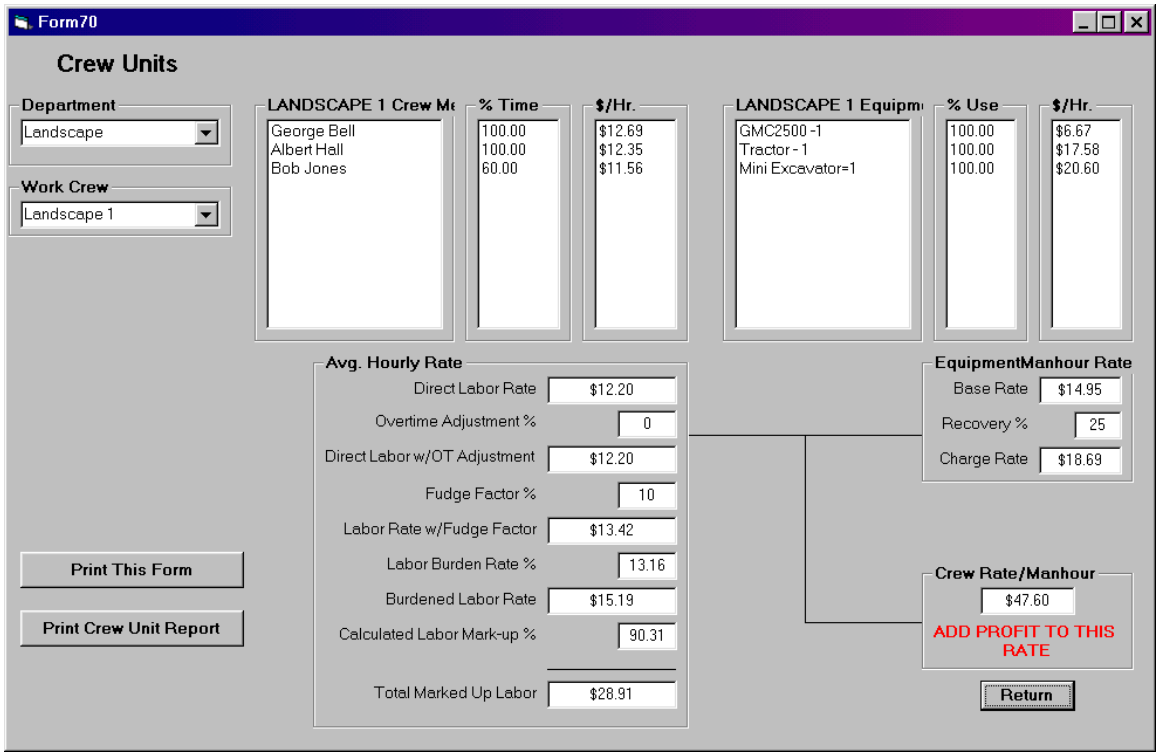
Equipment by Department:

When the 'Equipment by Department' button is clicked, the form shown below is displayed. The equipment assigned to each Department is displayed along with the number of items and the $/Hr. rate. This is handy when special proposals or projects are priced.



Crew Units:

The 'Crew Units' button on the Equipment by Department form will display the following form.

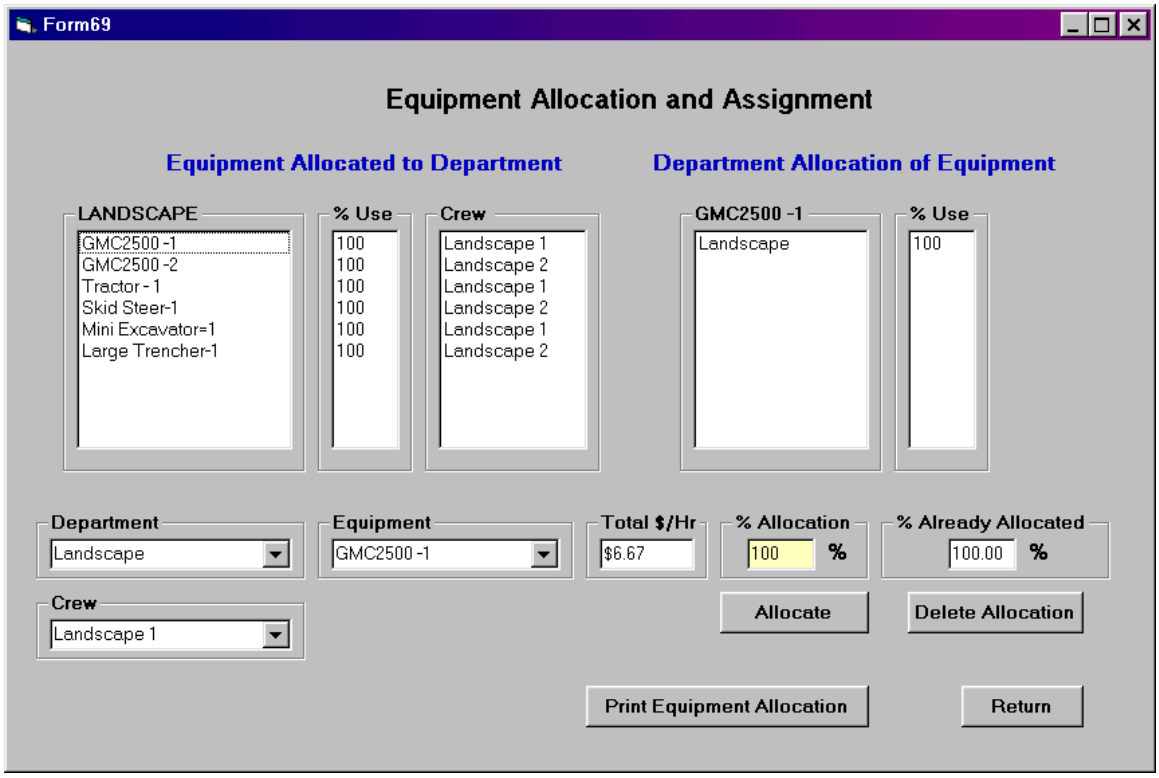


By selecting a Department and then a Work Crew in that Department, the workers and the equipment assigned to that crew will be displayed. The Average hourly rate for the labor and the equipment man-hour rate are calculated. These are combined to produce the Crew Rate/Man-hour.

NOTE : Access to this form is available from several places throughout the program to make the information more accessible.

Equipment Allocation and Assignment:

In the lower left of the Equipment Cost Worksheet is a button labeled 'Allocate Equipment to Departments'. Each piece of equipment can be assigned to a crew in one of the departments and indicate the percentage of its use by the department.

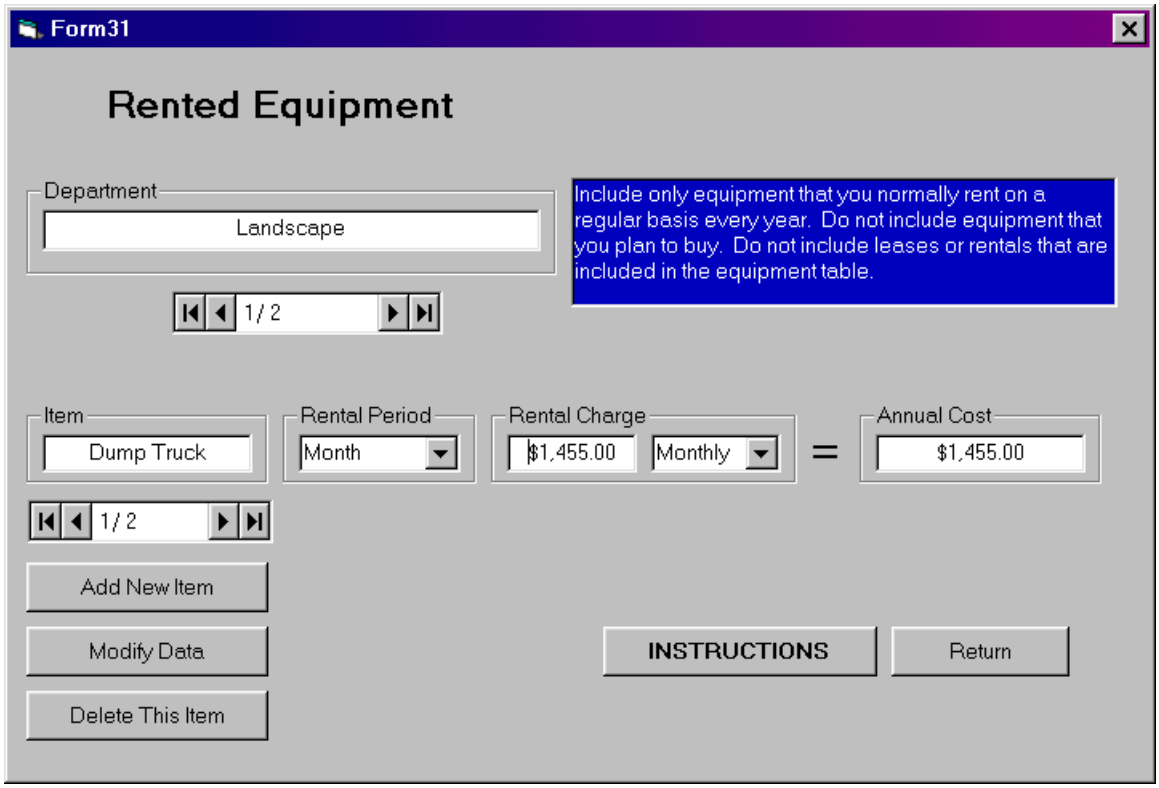


To enter the data, select the department, select the crew, select the piece of equipment and enter the percentage. Then click the 'Allocate' button. The percentage allocation cannot exceed 100%.

To delete an allocation, click on the item in the list box, and then click the 'Delete Allocation' button. The list boxes will be updated to reflect the current allocation. A message will also display indicating that the item needs to be re-allocated.

Rented Equipment:

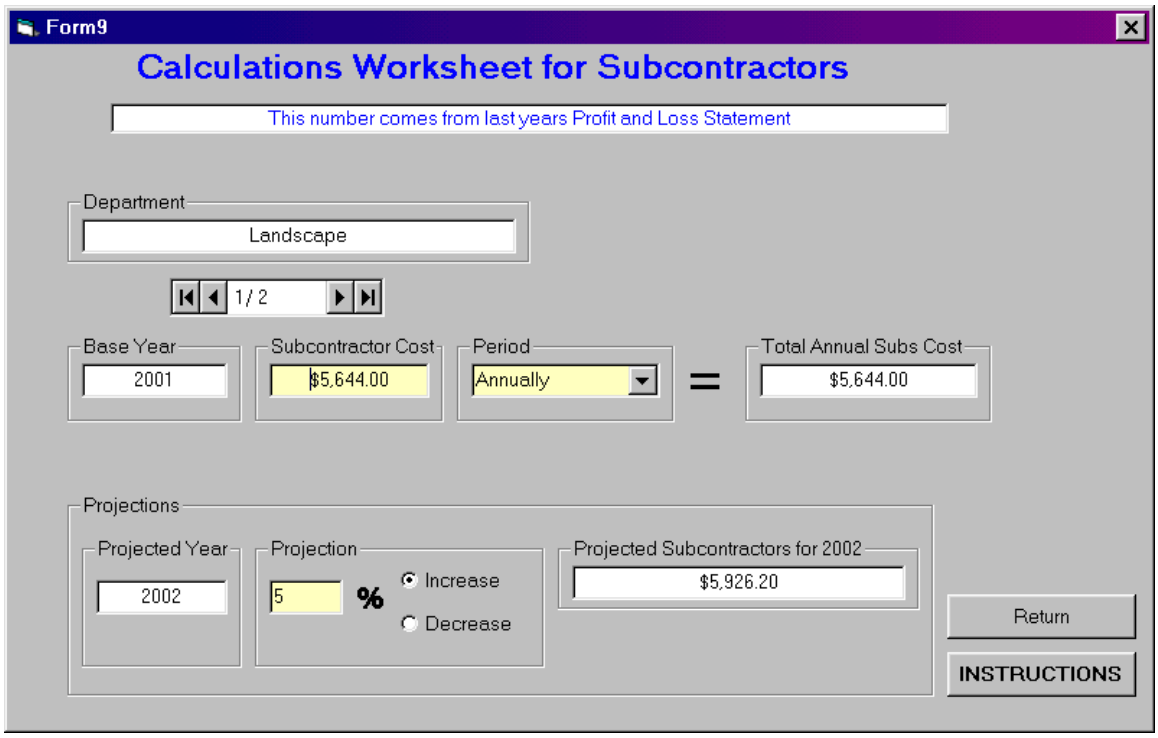
This form will capture data on major expenses from renting equipment needed to operate the company and accomplish the work.



To enter data, click on the 'Add New Item' button. Select the department that incurred the expense. Enter the item name, the rental period, the rental charge rate and save the data. The data can be changed at any time by clicking the 'Modify Data' button. In addition, any item can be deleted if entered in error.

Subcontractors:

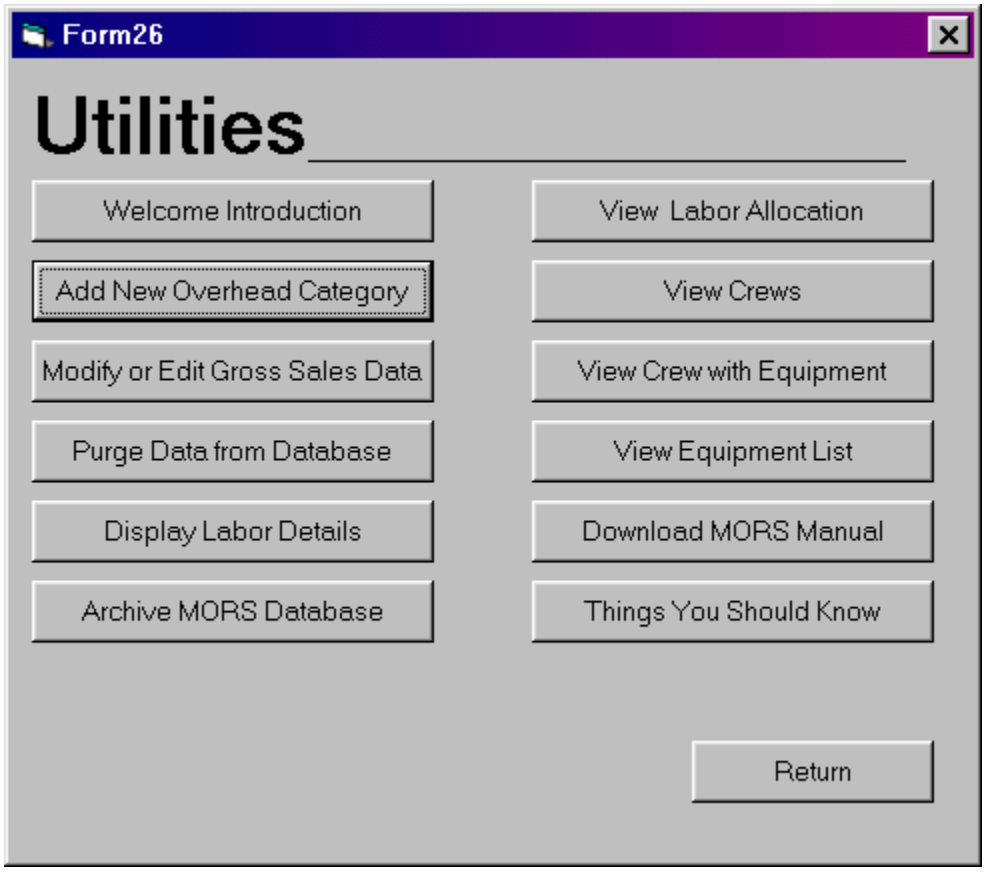
This form captures gross data on the subcontractors hired and used to accomplish work. Enter the total amount expensed for the subcontractors and the period covered by the expense.



A projection for the next years subcontractor expenses will be calculated by entering the percentage increase or decrease an clicking the 'Calculate' button. Remember to save the data before clicking the 'Return' button.

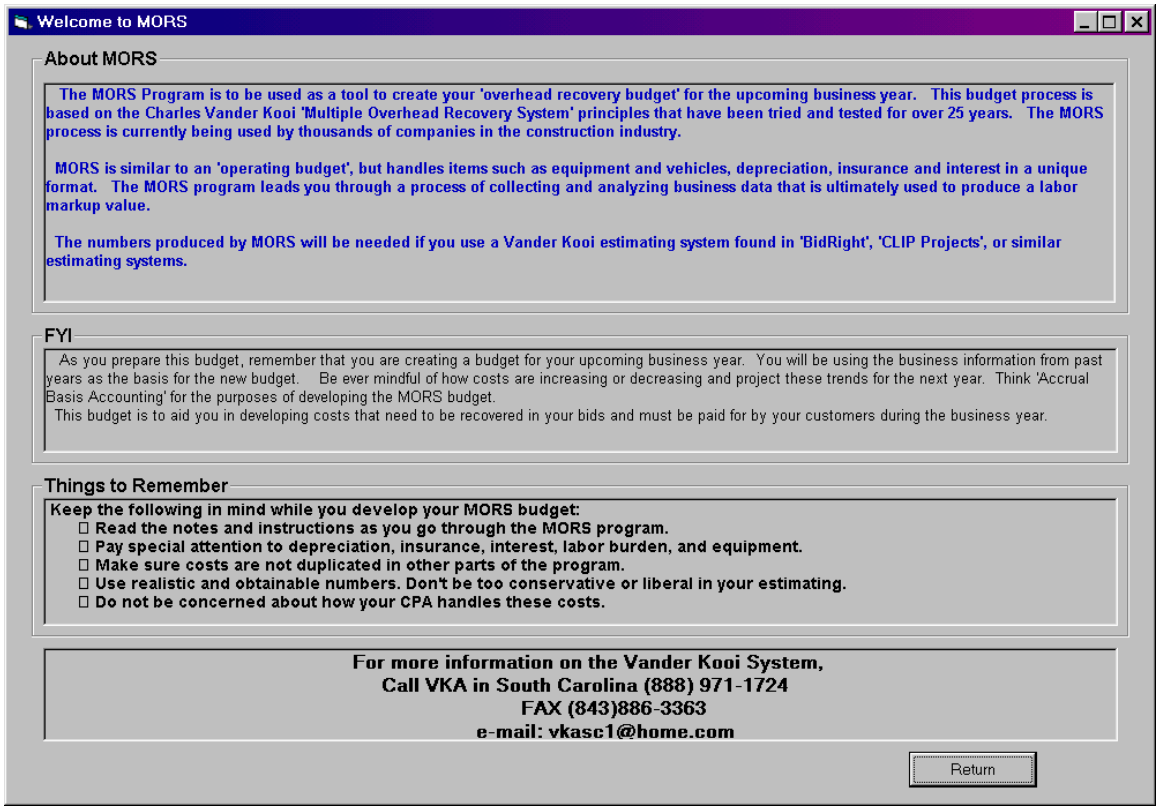
Utilities:

The Utilities Menu is a ‘catch-all’ menu that will quickly access certain forms for reference.



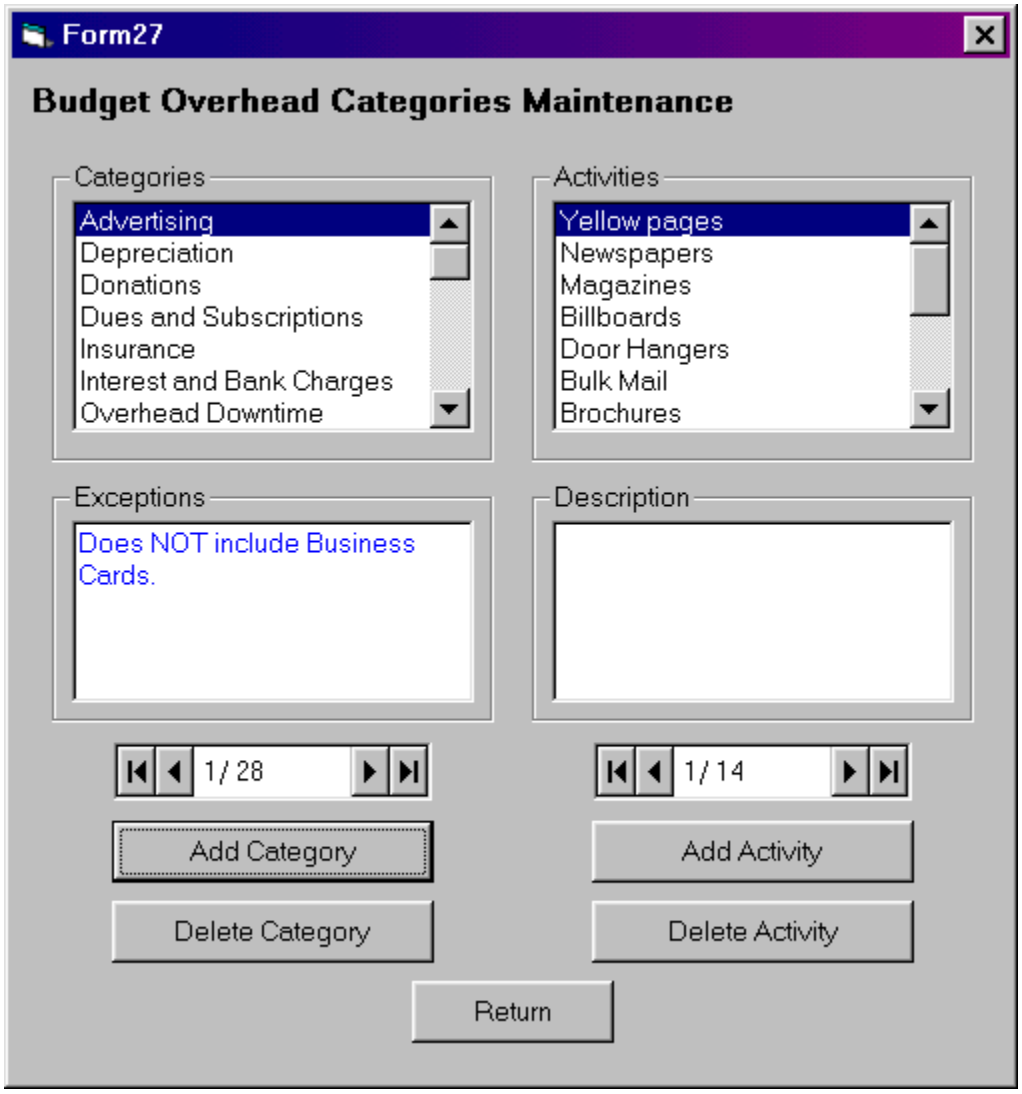
Welcome Introduction:

The Welcome form has useful information that should be kept in mind when using the MORS program.



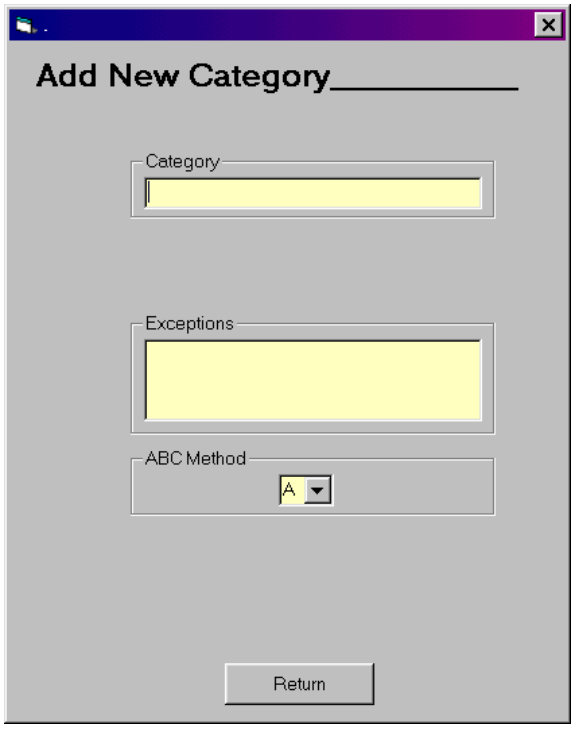
Add New Budget Overhead Categories:

The form allows you to add a new Budget Overhead category and Activities. If you add a new category, remember that it must have at least one activity.

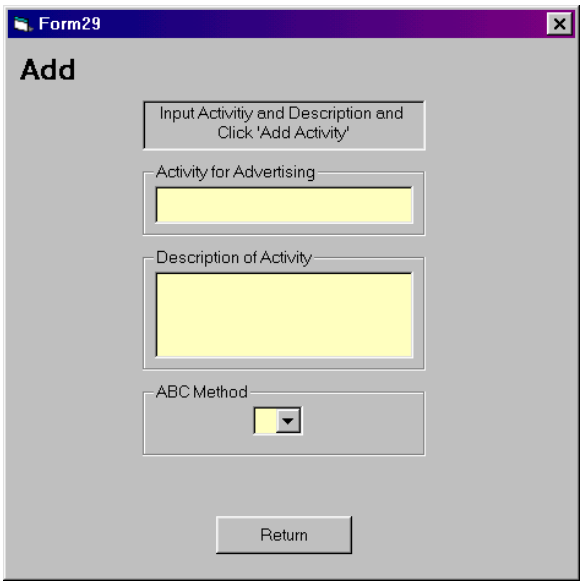


This form will also allow you to delete a category or activity.

When you add a new category, the following form appears.

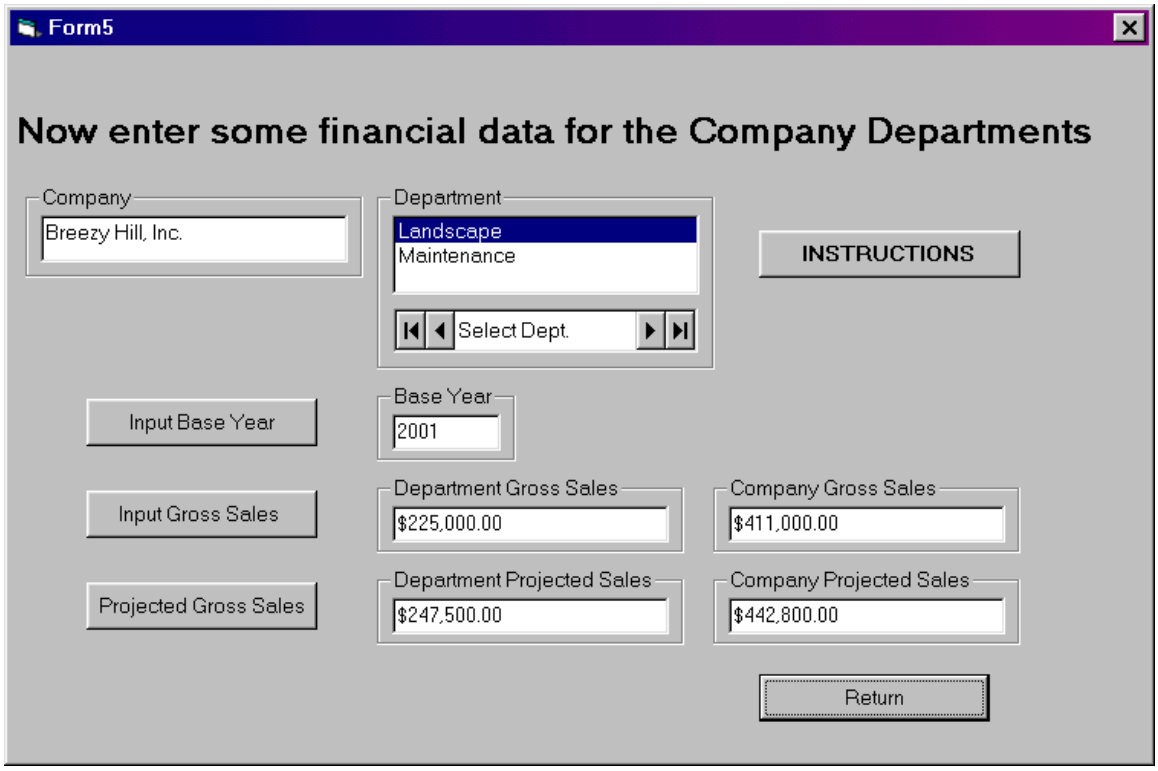


This form will appear to add activities to the new category. Remember that each category MUST have at least one activiti to hold the amount.



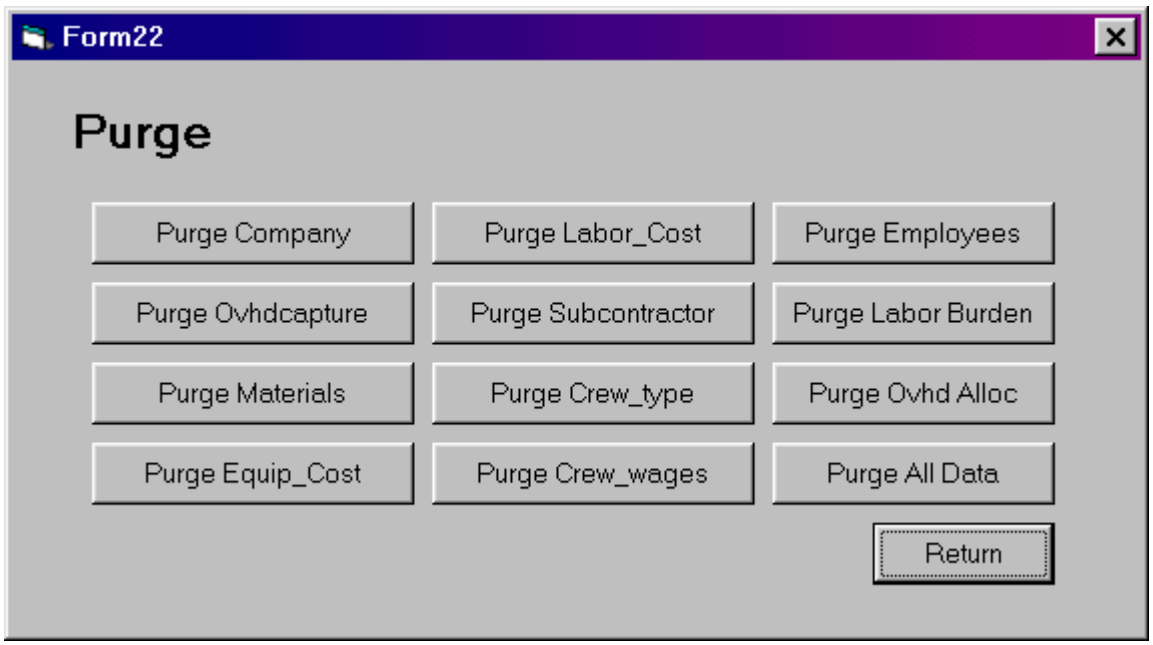
Modify or Edit Gross Sales Data:

This form captures the base gross sales data for each department and the projections for the upcoming year.



Purge Data from Database:

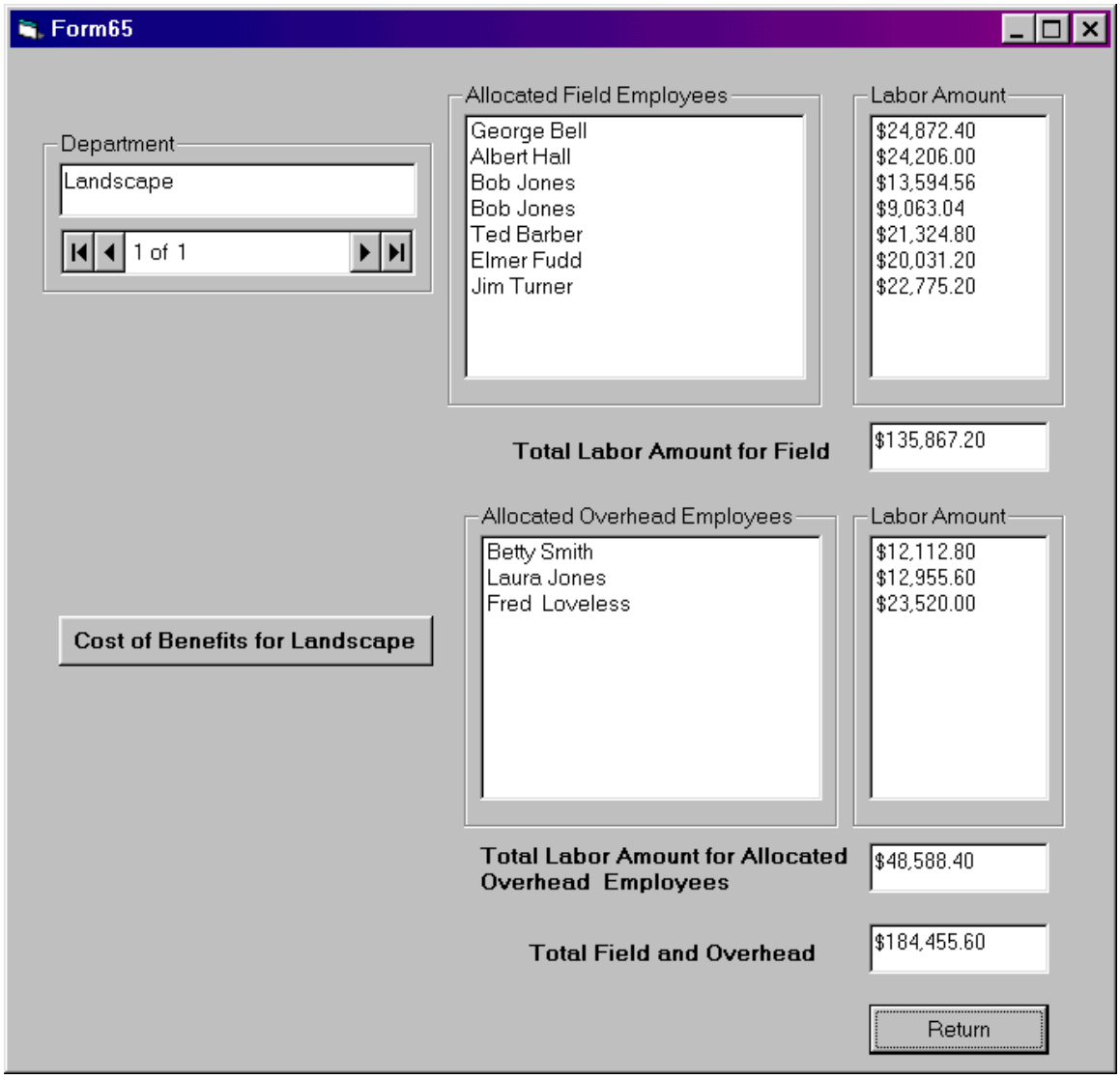
The buttons on this form will completely erase all data related to certain tables in the database. These would only be used if, for some reason, it were more advantageous to completely erase a table rather than making corrections.



USE THESE BUTTONS WITH EXTREME CARE AND CONSIDERATION.

Display Labor Details:

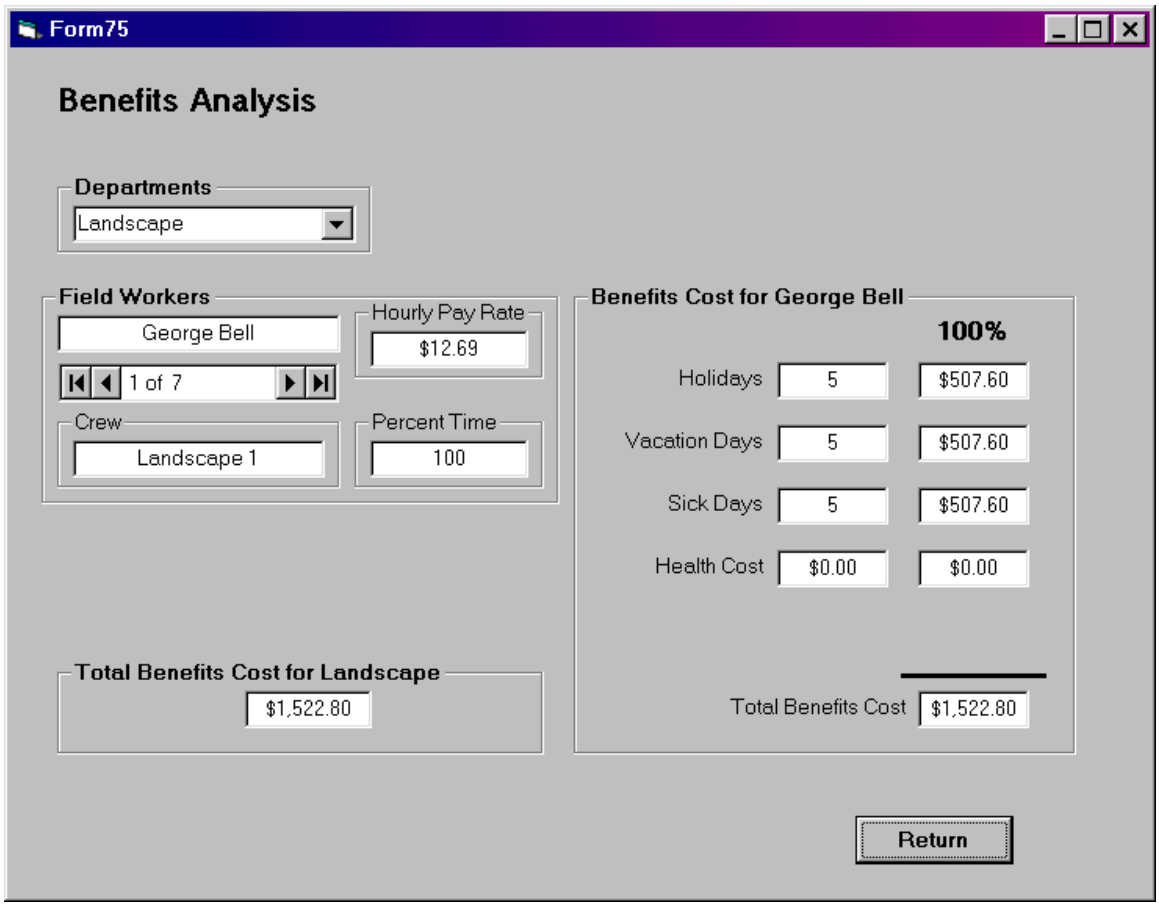
Select a department to view the employees allocated to the department ant the amount of annual salary for which the department is responsible.



The form also provides access to the cost of the benefits provided for the employees.

Cost of Benefits:

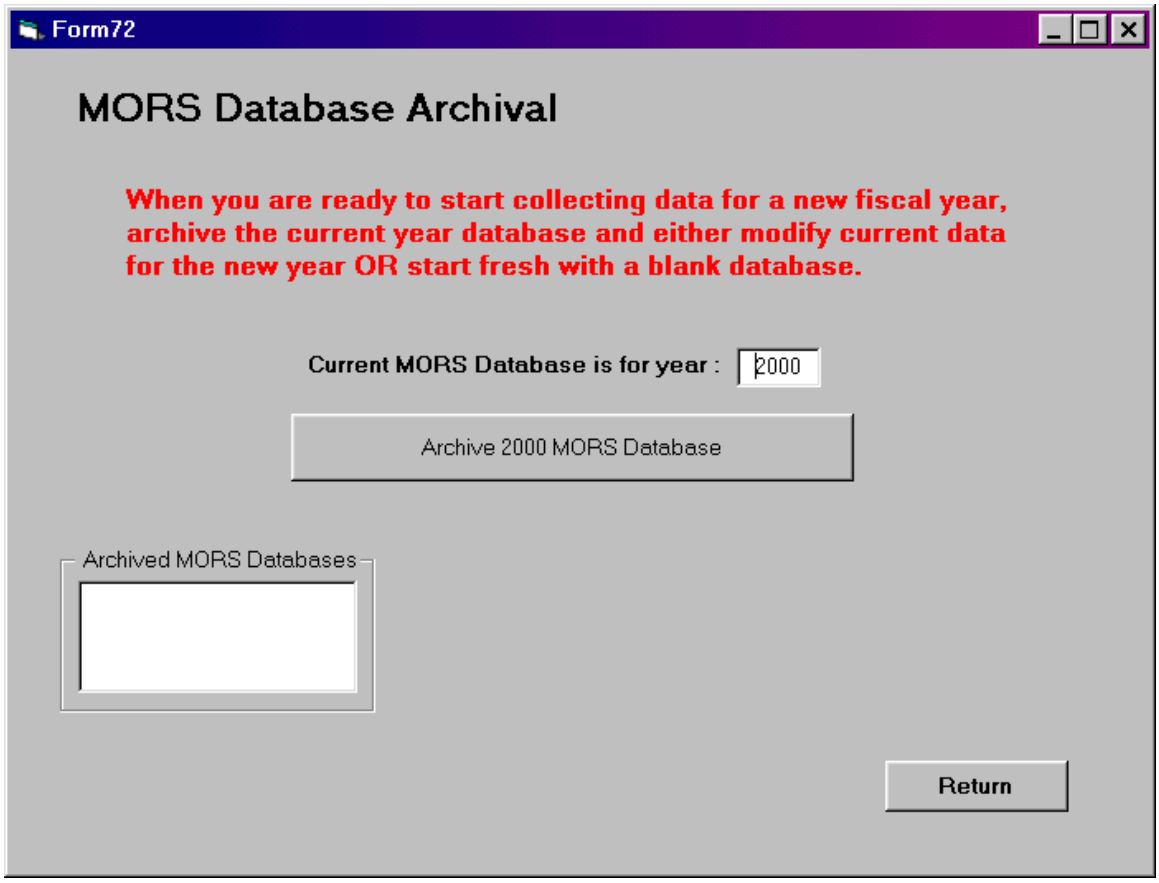
The Benefits Analysis displays the dollar value associated with each employee along with the total cost of benefits for the department.



Select a Department and the Field Workers assigned to that Department will be accessed. Use the control in the 'Field Worker' Box to show the data associated with that worker.

Archive MORS Database:

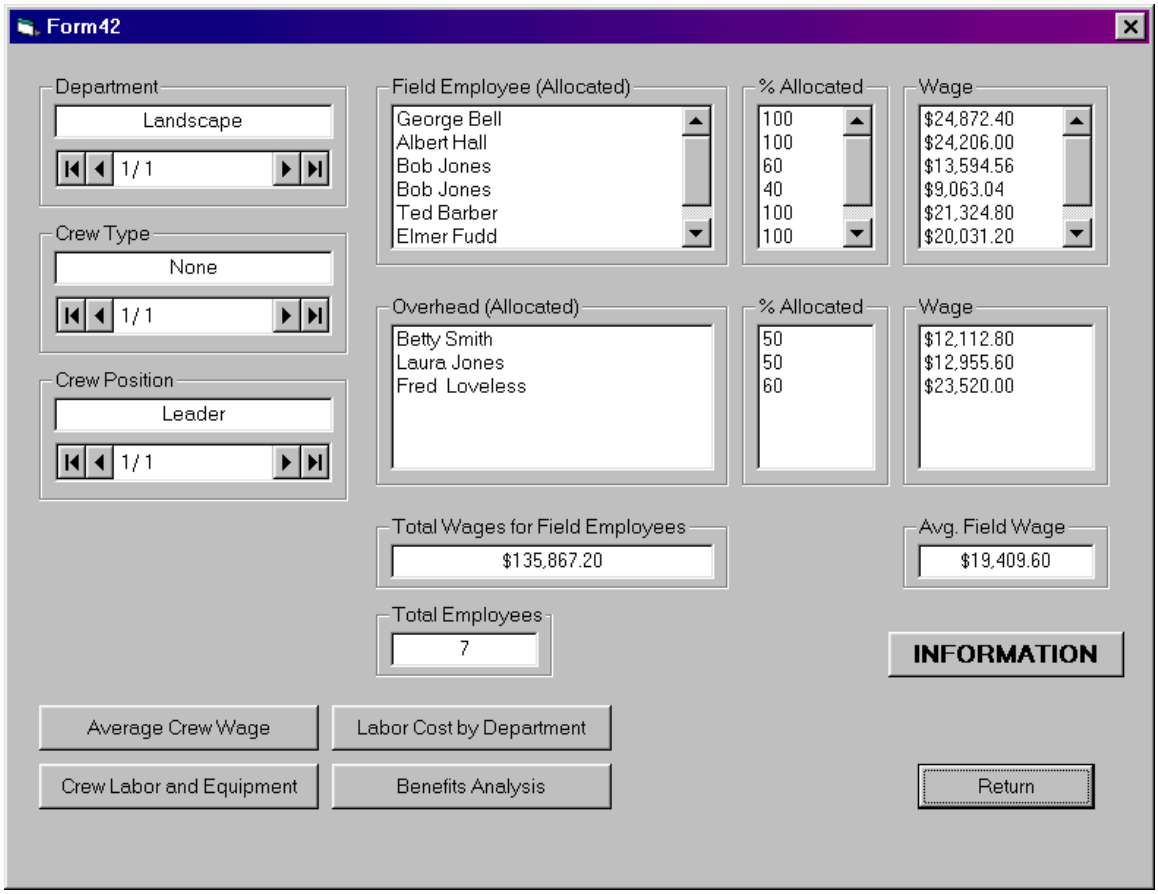
When all data has been entered in the database for the year, the MORS database can be archived (saved) and identified by the base year.



You can then make changes to the database to start a new base year or clear the database to start from a blank slate.

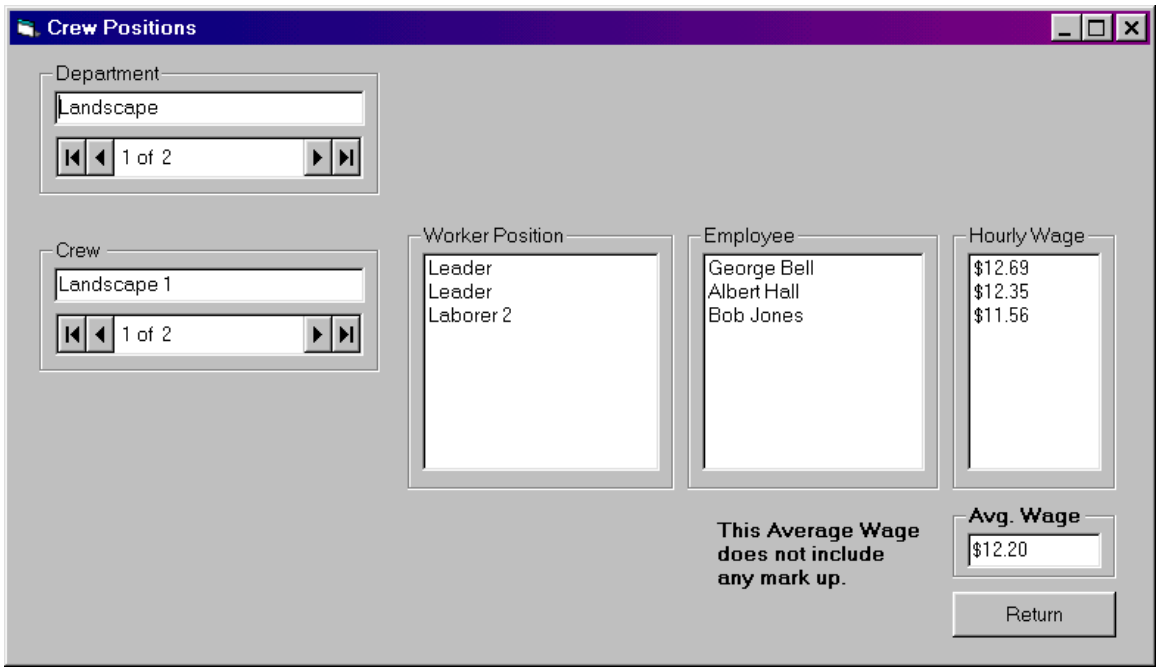
View Labor Allocation:

This form displays the Labor force allocated to each department. The Field Employees annual salaries are shown along with the percentage of the Employees time that has been allocated to that department. The Overhead Employees annual salaries and the percentage of allocation indicates the level that must be recovered as an Overhead item.



View Crews:

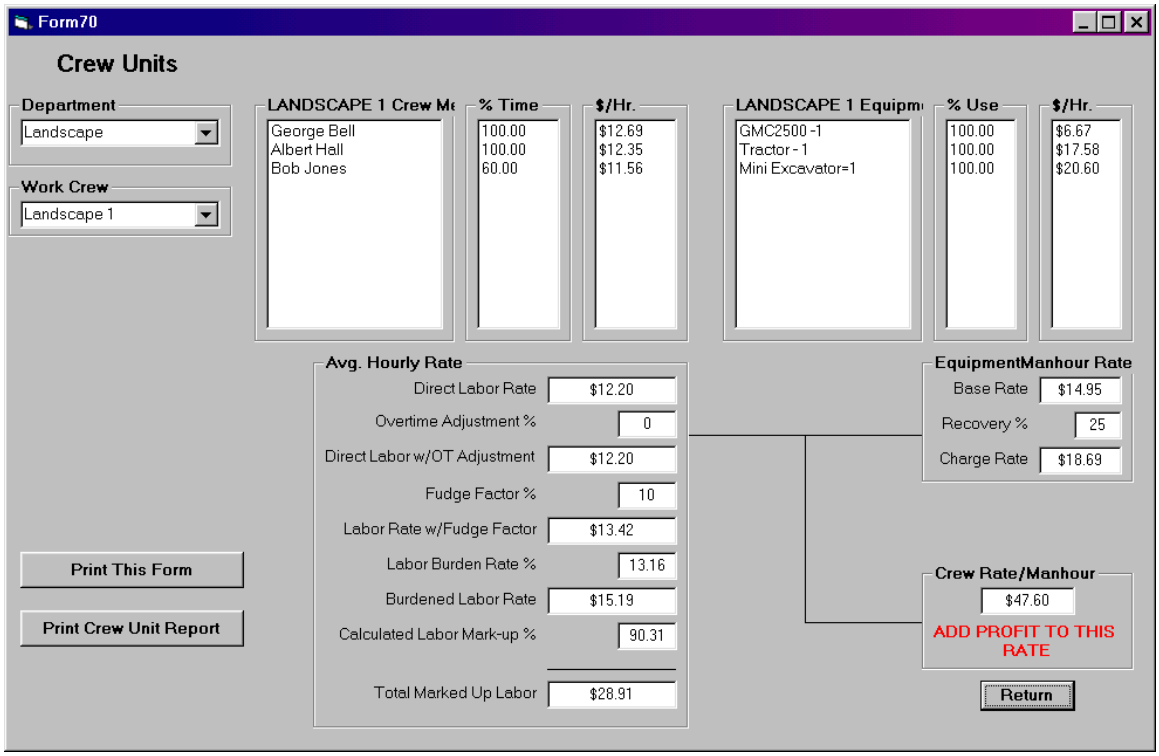
The 'View Crews' button on the Utilities Menu will display the following form.



By selecting a department and then a Crew in that department, the form will display the crew positions, the employee assigned to that position and the hourly wage for that employee. The average hourly wage is also calculated and is useful in generating proposals and budgets.

View Crews with Equipment:

The 'View Crews with Equipment' button on the Utilities menu will display the form below.

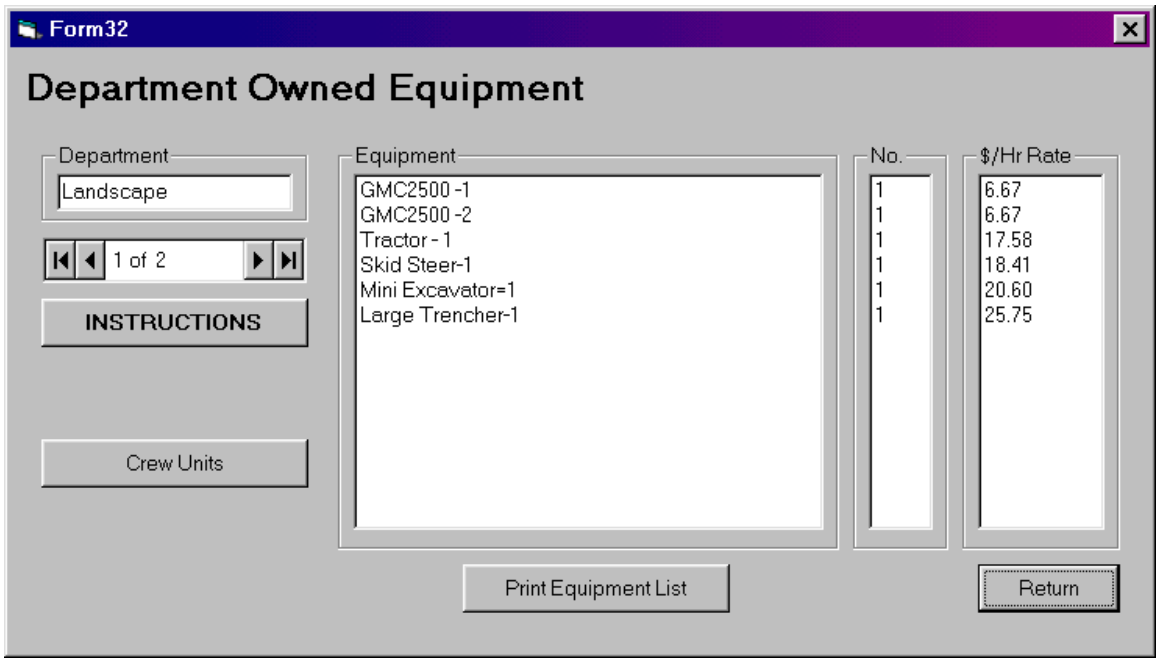


Select a department and then a crew in that department to display the employees and equipment assigned to that crew.

The average crew hourly wage and the Equipment/Man-hour Rate is calculated and combined to produce the Crew Rate/Man-hour.

View Equipment List:

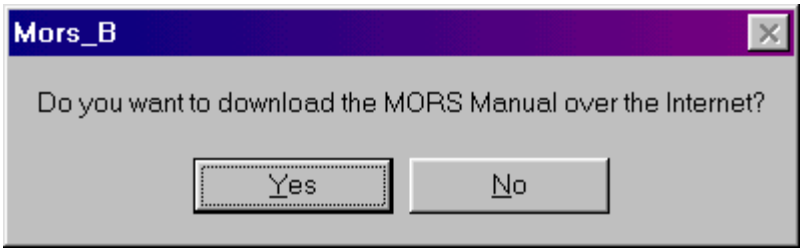
The 'View Equipment List' button on the Utilities menu will display the following form.



Select a Department and the form will display all the equipment that is assigned to that department. The form also display how many of each equipment item is owned and the hourly rate for the equipment.

Download MORS Manual:

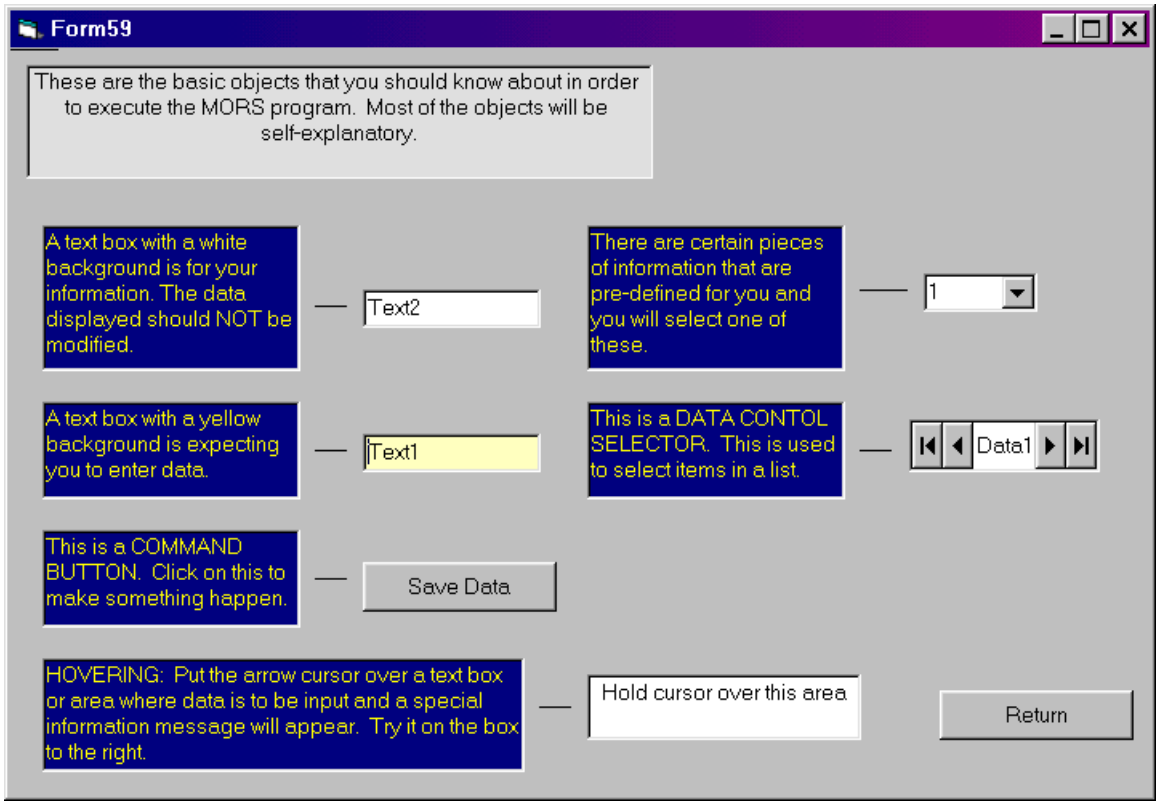
The MORS Manual is available on the Internet at Sensible Software's Web site WWW.CLIP.COM. If you want to download the manual, click the 'YES' button.



You can log on to the CLIP website indicated in the following message. The manual is available in a .PDF (Portable Document Format) file. You will need ACROBAT READER to display the file. ACROBAT READER is also available for download at CLIP.COM

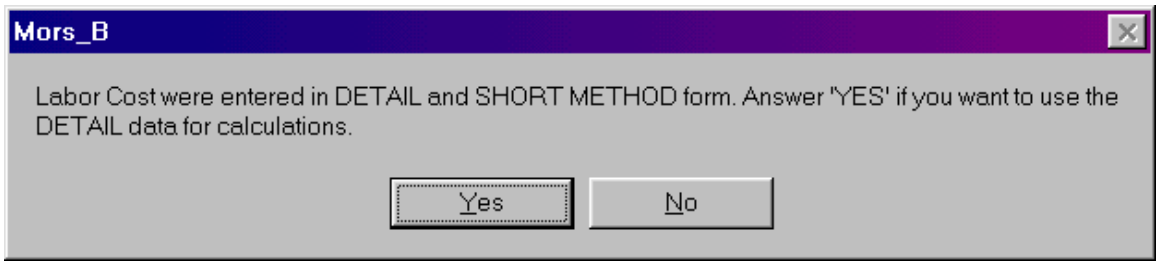
Things You Should Know:

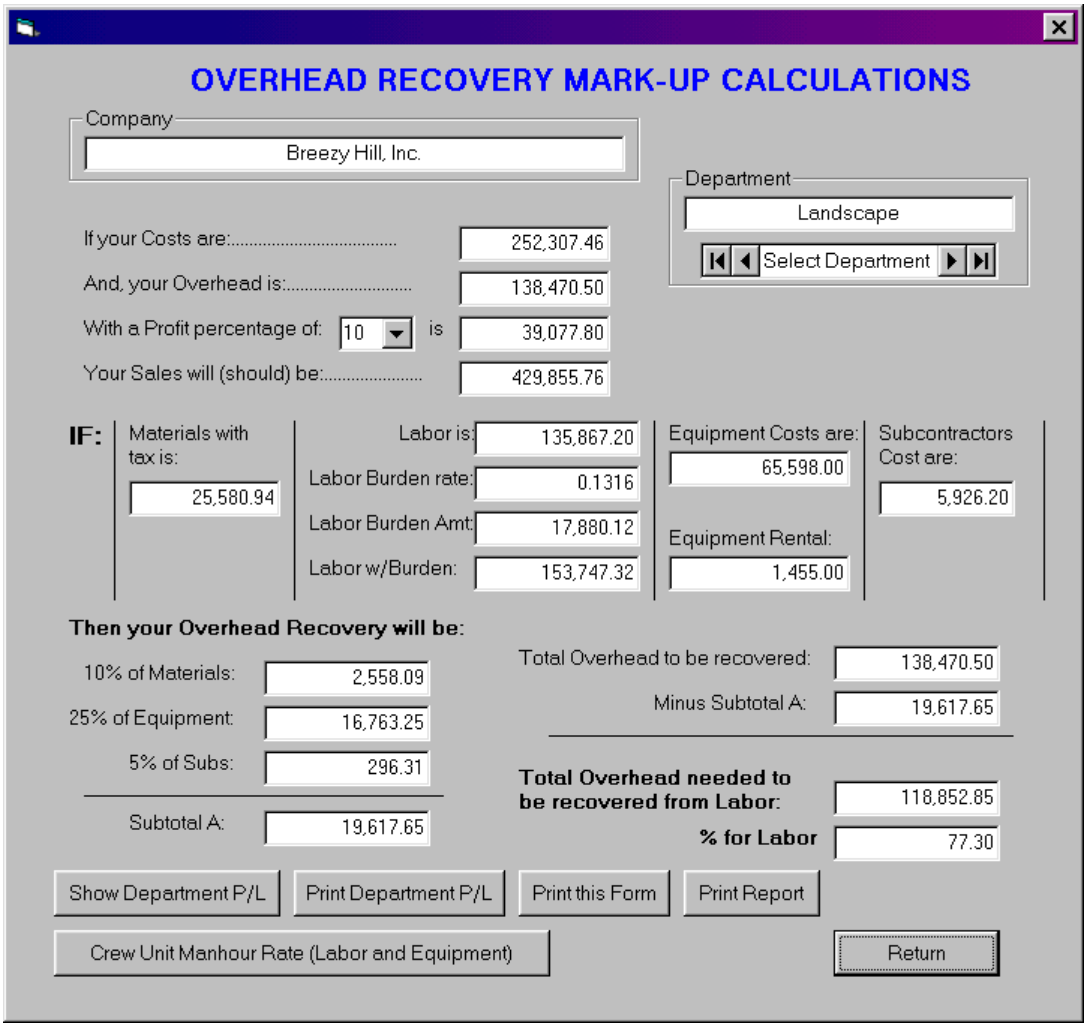
This form is provided for general information about the programming features that have been used to produce MORS. This will help you understand how to maneuver through the program.



Department Mark-up:

Once you have entered all the data relating to your business, you can determine the labor mark-up needed to generate the business to cover all the expenses. Each department will have its own labor markup value.

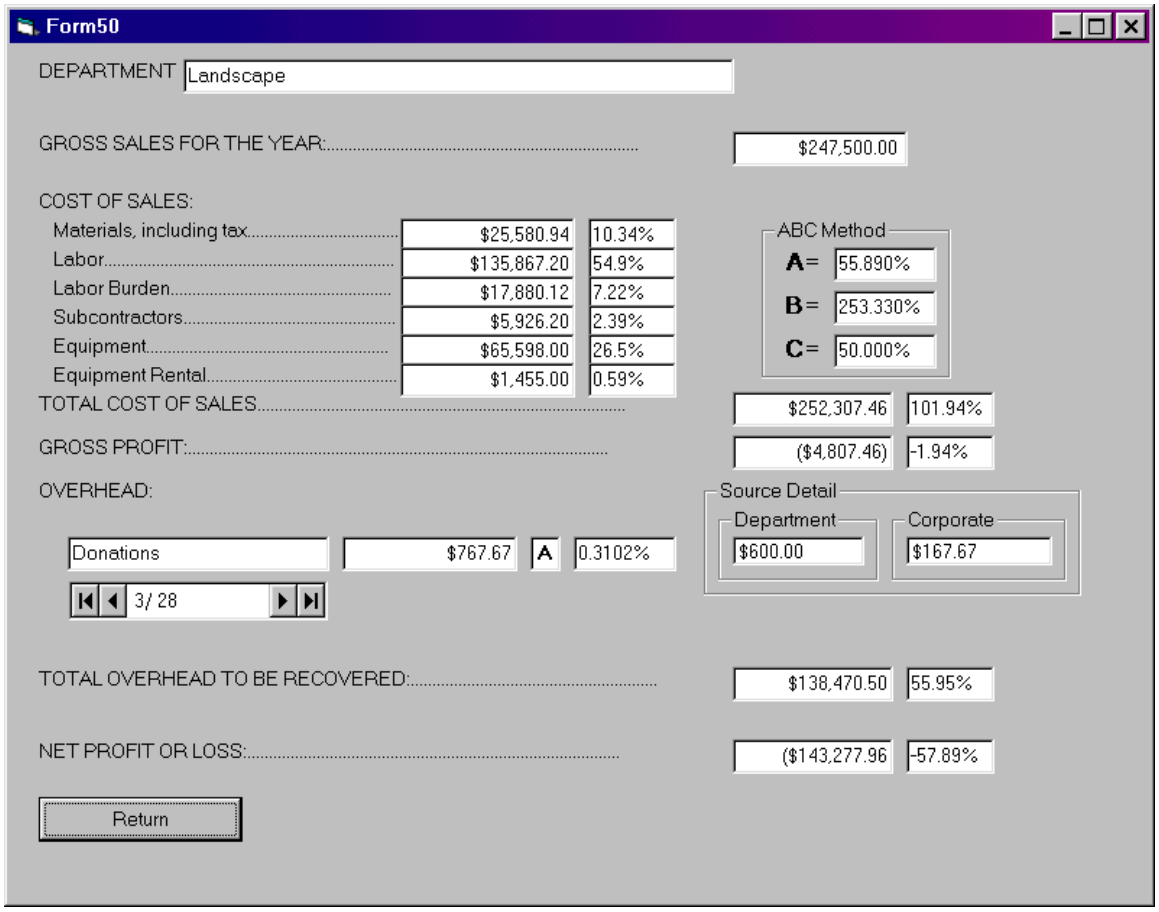




The form shown above is modeled after the format discussed in the Vander Kooi manuals. The two numbers displayed in the lower right side of the form. This shows the 'Total Overhead needed to be recovered from Labor' and the percentage that the Labor needs to be marked-up to generate that dollar amount.

Show Department P/L:

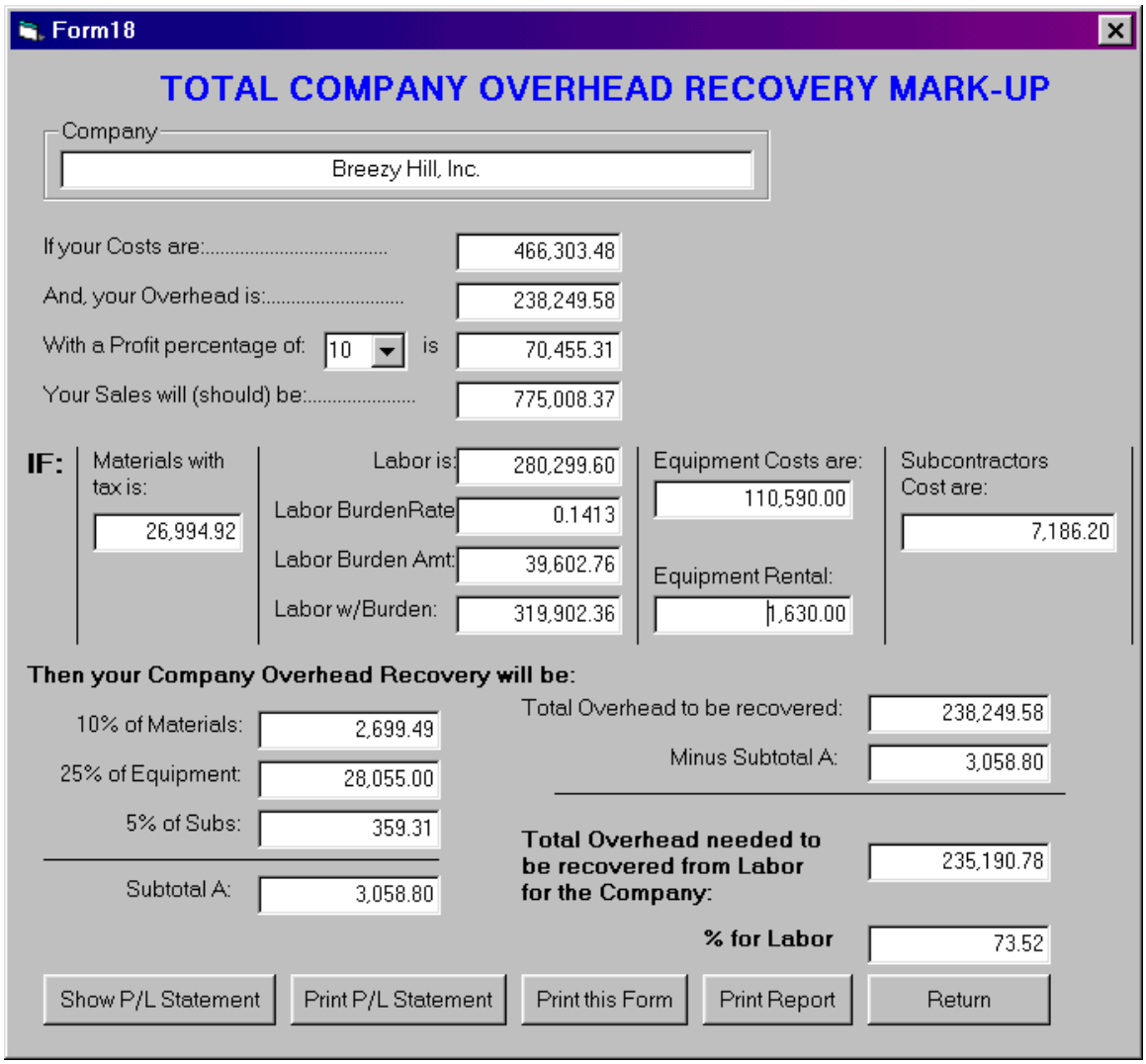
In the lower left corner of the Overhead Mark-up Calculation form is a button labeled 'Show Department P/L'. Clicking this button will display the form shown below.



This form presents the data entered into MORS in a traditional Profit/Loss statement.

Company Mark-up:

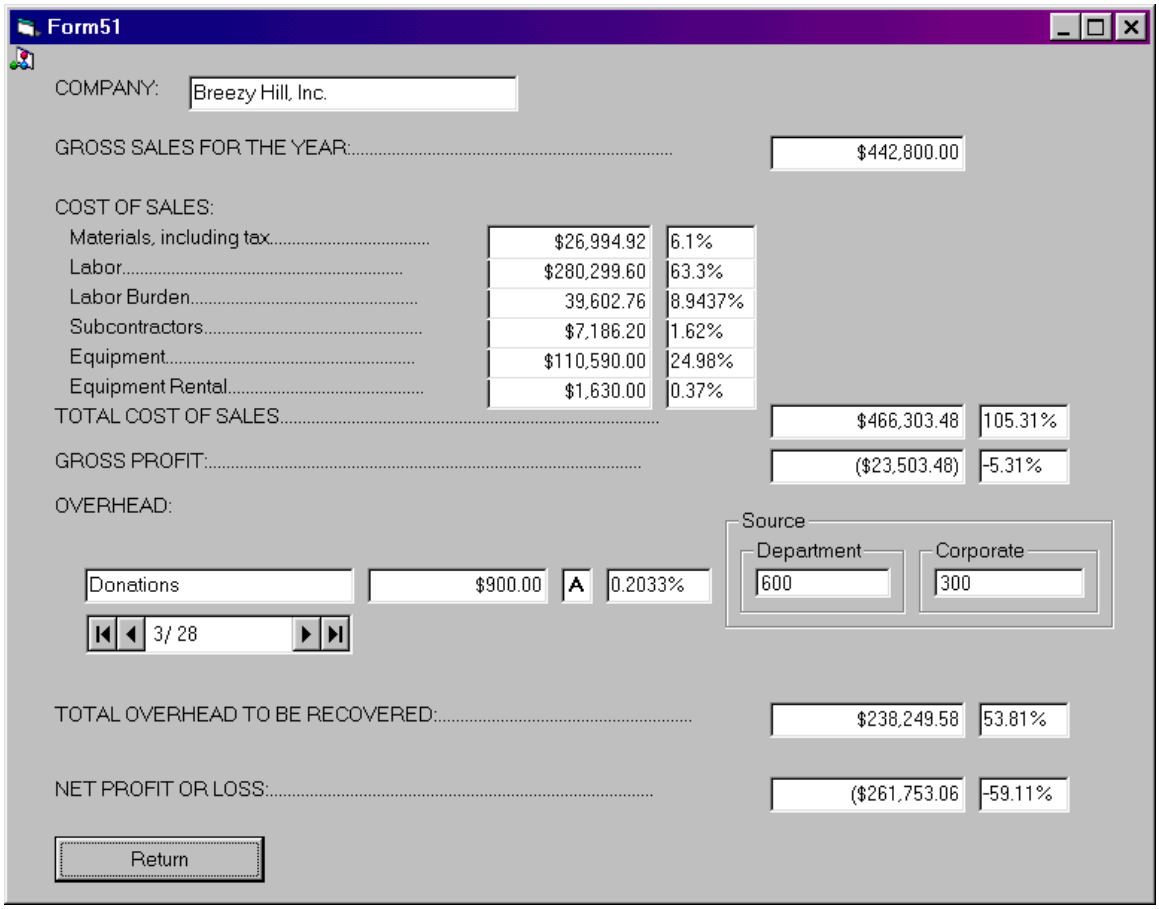
The Company Solution generates a Labor Mark-up solution for the company as a whole. The data from all the departments is considered equally to calculate the Labor Mark-up for the company.



The 'Show P/L Statement' in the lower left corner of the form will generate a Profit/Loss' statement for the company as a whole.

Company P/L:

The Company P/L statement combines all the data from all the departments. This is an indication of how the company is doing overall. By comparing this with the Department P/L statements, you can determine the ability of each department to carry its share of the load.



Entitlements

The purchase of the MORS program entitles the customer to a review of the MORS recovery budget. The Company and Department Profit and Loss Reports and the Company and Department Markup Solutions should be e-mailed (vkasc1@comcast.net) or faxed (843-886-3363) to VKA for review.

MORS customers are entitled to 1/2-hour free financial review support. Additional support time is billed at $150.00 per hour at 30-minute increments. . If additional budget reviews are required, contact VKA at 888-971-1724.

MORS customers will receive free program updates that are required to fix any errors found in the MORS program. Enhancements to the MORS program will be announced from time to time as conditions dictate. Current MORS customers can purchase the enhanced version at a cost commensurate with the degree of the enhancement.

Free Financial Review

Purchase of the MORS program entitles you to a free ½ hour financial review by a Vander Kooi Associate. There are two ways to get the information to your Vander Kooi Associate.

Regular Mail:

The MORS program resides in your computer in "C:\Program Files\MORS_B" folder. The database file is named 'MORSDB_B.MDB'. Copy this file to a floppy disk and mail to:

Vander Kooi and Associates, Inc.
1495 Harborgate Blvd.
Mt. Pleasant, SC 29464-4212

E-mail:

E-mail is the quickest and easiest method. Simply attach the 'MORSDB_B.MDB' file to an e-mail message and send to: vkasc1@comcast.net. Indicate in the subject line your MORS serial number fond on the opening screen of the MORS program

Support

Support for the MORS program is divided into two categories: Conceptual and Technical.

Conceptual Support

Conceptual Support is defined as help required in understanding what information and data the MORS program requires and how to interpret the results that MORS calculates. This support is provided by Vander Kooi and Associates.

Conceptual Support is available Monday-Friday from 9AM to 2PM Eastern Time. at (843) 886-3363. E-Mail support is available at vkasc1@comcast.net. The first ½-hour of financial review is free. Additional Conceptual Support and/or financial review support is billed at $150.00 /hr in ½-hour increments.

You are advised to become familiar with the VKA systems prior to using the MORS program. Vander Kooi produces a number of books that are very useful in learning the Vander Kooi method and procedures.

Conceptual Support should not be confused with a consultation. Technical support is to ensure that the MORS program performs as intended and not to teach the VKA system.

Technical Support

Technical Support is defined as the assistance required to make the MORS program work flawlessly on your computer and to report any error messages generated by the MORS program.

Support is available Monday-Friday from 9AM to 2PM Eastern Time at (301) 898-3223 E-Mail support is available at FredL@clip.com or floveless@aol.com.

All calls received by 2PM will be returned the same day. Calls received after 2PM will be returned the next workday. Appointments can be made for specific time to call back.

The first 1/2-hour of technical support is provided with the purchase of the program. Support beyond the free 1/2 hour is billed at $150.00/hr in 15-minute increments.

No charge is applied to report problems with the MORS program or to report suspected problems.

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Disk Warranty

The sole warranty regarding the MORS software is that the original CD is free from physical defects in material and workmanship, assuming proper use, for a period of one year of the licensing purchase. In the event that a defect occurs during the period, you may return (postage paid) the faulty CD to Sensible Software, Inc. or Vander Kooi and Associates in exchange for a new copy of the MORS CD. We recommend that you insure any defective item being returned, or assume the responsibility of loss or damage in transit.

Limitation of Liability

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This Agreement shall be null and void, without notice, if you fail to fulfill your financial responsibility to Sensible Software, Inc. This failure can be caused by, but not limited to, the following conditions: returned check, stop payment, failure to pay credit card debit, or failure to pay any debt owed Sensible Software, Inc. or Vander Kooi and Associates for technical support, annual update fees or other fees that you have freely agreed to pay. If this agreement is breeched, Sensible Software, Inc. and Vander Kooi and Associates can terminate this Agreement without notice to you until satisfactory payment has been received. In the case of missed payments, the debt in its entirety can be required. At the discretion of Sensible Software, Inc., we can require that you return all software and related materials without the expectation of any financial refund. The return of software and materials does not diminish the debt owed Sensible Software, Inc. and Vander Kooi and Associates. Sensible Software, Inc. or Vander Kooi and Associates can enforce whatever legal rights available to collect payments .We also reserve the right to change this warranty policy and license without notification.