

# Introduction

Running a manufacturing business isn't easy. You've got raw materials, production costs, labour, equipment maintenance – and that's just the start. Keeping up with all of this while managing your finances can get overwhelming. That's where Xero steps in. It's one of the best accounting tools out there, but to really get the most out of it for your business, you need a little know-how.

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This guide is here to help you set up and use Xero in a way that makes sense for your business. First, we'll show you how to set up your accounts and track costs so you can see exactly where your money is going. Then, we'll dive into Xero's inventory features and how to get even more out of them with a tool called Gojee. Finally, we'll break down job costing and show you how to keep an eye on your profits using Xero.

# What You'll Get from This Guide

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- Learn how to set up your chart of accounts and use tracking categories to track costs more accurately.
- Get tips on using Xero's inventory features and find out how Gojee can handle more complex stock management, like managing multiple locations and tracking batches.
- See how to use Xero Projects to keep an eye on job costs and how Gojee can make this process even easier.
- Learn to create custom reports, set up budgets, and integrate Xero with other tools to streamline your workflow.
- Discover how other manufacturers have used Xero and Gojee to simplify their operations and save money.

By the end of this guide, you'll have a clear plan to make Xero work better for your business. Whether you're just starting out with Xero or you've been using it for a while, you'll find tips to make your accounting smoother. You'll also see how Gojee can help with inventory and job tracking, so you can get even more out of Xero.

Let's dive in and start making Xero work for you!

# Setting Up Xero for Manufacturing

### Part 1 - Customising your Accounts

The first step to getting Xero to work for you is setting up your accounts in a way that matches how your business runs. Manufacturers have unique costs, so it's important to have the right structure in place.

# Chart of Accounts Raw Materials Finished Goods Work in Progress Overhead

#### **Chart of Accounts**

Think of your chart of accounts as the backbone of your financial system.

In manufacturing, you need accounts that reflect each stage of production.

Here's how to set it up:

- Raw Materials: Create an account to track all the materials that go into making your products. This is where you'll record purchases of metals, plastics, textiles, or other materials.
- Work-in-Progress (WIP): Set up a WIP account to track costs during the production process. This helps you see how much money is tied up in unfinished products at any time.
- **Finished Goods:** Once products are complete, their costs move from WIP to Finished Goods. This account shows the total value of goods ready to be sold.
- **Manufacturing Overhead:** Create an account for indirect costs like machine maintenance, utilities, and factory supplies. This gives you a full picture of your production costs.

# Setting Up Xero for Manufacturing

### Part 2 - Tracking Categories

Use tracking categories to break down costs in more detail. For example:

- **Product Lines:** Track costs by different product lines to see which ones are most profitable.
- **Departments:** Set up tracking for departments like fabrication, assembly, or quality control to spot where costs are highest.
- **Production Stages:** If you have different stages in your manufacturing process, you can use Xero's tracking categories to allocate costs to each stage and identify where efficiencies can be made.

Note that you can only have 2 tracking categories set up in Xero at once! If you want new categories, you'll have to archive the old ones.

### **Quick Tip**

Don't skip this setup! Customizing your accounts from the start will save you a lot of time down the road and give you better insights into your finances.

## Setting Up Xero for Manufacturing

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# Part 3 - Managing Payroll for Your Production Team

Managing payroll in manufacturing can get complicated, especially with different shifts, overtime, and job costing.

Here's how to make it easier with Xero:

### **Payroll Tips for Xero**

- **Automate Payroll:** Set up automatic payroll processing in Xero so your team gets paid on time. If you've got staff working in shifts or on hourly rates, Xero's payroll tools can handle these variations without manual input every time.
- **Timesheet Integration:** Use Xero's timesheet feature to track labour costs by job. This is crucial if you need to allocate labour costs to specific products or projects. For example, if workers spend time on multiple jobs throughout the day, you can track their time in Xero and link it to the right job.

#### **Quick Tip**

If you need to get even more detailed with labour costs, integrating with tools like Gojee or WorkflowMax can help you allocate payroll costs directly to each job, giving you a clear view of how labour impacts your profitability.

With Gojee and Xero

### **Managing Inventory**

### Part 1 - Xero's Inventory Features

Inventory is a big part of manufacturing, and Xero has some builtin tools to help manage it. Here's what you can do with Xero:

- **Stock Tracking:** Track your stock levels so you know when to reorder materials. You can set up items in Xero with purchase prices, sales prices, and quantities on hand. This way, you're always in the loop on what's in stock and what needs to be restocked.
- **Simple Reporting:** Use Xero's inventory reports to see what's coming in and going out. For example, if you want to know how much of a certain material you used last month, Xero can give you a snapshot of that information.

### The Catch

Xero's inventory tools work well for basic needs, but they might not quite cut it if you have a lot of stock moving in and out, multiple storage locations, batch tracking, or need to purchase a range of items across multiple suppliers at once. For more complex inventory management, you'll need a boost, and that's the part where Gojee comes in.

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With Gojee and Xero

### **Managing Inventory**

# Part 2 - Taking Inventory Management to the Next Level with Gojee

Gojee is designed to fill in the gaps where Xero's inventory management leaves off. It not only helps you keep track of your stock but also makes it easier to **see if a job will be profitable** – no more guessing!

Here's three ways it can make life easier for your business:

- **Goods Receipt and Picking:** Gojee's inventory system takes over from Xero to give you greater control over the processes of receiving, delivering, picking, and expensing goods onto jobs. One user said, "Gojee is easy to use and provides great insight into our business data." This makes it simple to keep track of what's available and where, so you can price your jobs accurately and avoid costly surprises.
- Batch and Serial Number Tracking: Need to track specific batches for quality control or compliance? Gojee's got you covered. It lets you monitor each batch or serial number throughout the production process. This is key for manufacturers who need full visibility of their inventory and it helps you know the true cost of every job.
- **Reorder Points:** With Gojee, you can set up reorder points and high stock levels for your materials. When stock falls below a certain level, Gojee can place restock orders for all items before it's too late. No more production delays because of missing materials, which means you can stay on top of your costs and profits.

#### **Action Point**

Try integrating Gojee with your Xero account to get a more detailed handle on your inventory. It's an investment that pays off by giving you better control over your stock, knowing if a job is worth it from the start, and avoiding costly errors.

### **Tracking Job Costs and Profitability**

### Part 1 - Using Xero to Track Your Job Costs

If you want to know if a job is profitable, you need to track every single cost that goes into that job. This includes materials, labor, and overheads. Here's how to set this up in Xero:

- **Allocate Expenses:** Use Xero's Projects feature to assign costs to specific jobs. For example, you can allocate the cost of materials, labor, and machine time to a single project, giving you a complete picture of what each job is costing you.
- **Monitor Profit Margins:** Once you've allocated costs, use Xero's reporting features to see the profit margins for each job. This helps you spot where you're making money and where you might need to adjust pricing or reduce costs.

### The Limit

Xero's job costing works well for basic tracking, but it doesn't cover all the details manufacturers often need, like real-time tracking of costs or more advanced reporting. Gojee provides more in-depth tracking.

## **Tracking Job Costs and Profitability**

### Part 2 - Streamlining Job Management with Gojee

Gojee takes job tracking to a new level with more advanced features that work seamlessly with the accounts that you've got set up in Xero:



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- Detailed Job Tracking: Keep an eye on job progress and related costs in real-time. Gojee lets you monitor costs as they happen, from materials and labor to overheads. Invoices and purchasing take Xero's tracking categories into account.
- Expense each employee's hourly cost directly onto a job when their hours are recorded once scheduled, the employees can track their own time from their own accounts (or it can be added in after the fact by managers).

  A Xero App reviewer highlighted, "Gojee provides clear insights into projects, helping us manage costs better and stay on top of our finances."
- Profitability Reports: Gojee's reporting tools go beyond basic job costing, allowing you to drill down into the details. This helps you identify which jobs are the most profitable and where costs are creeping up. With this information, you can make better decisions about pricing, production processes, and resource allocation.

#### **Action Point**

Use Gojee to get more detailed job tracking and reporting. The insights you gain can help you identify opportunities to cut costs and boost profitability.

### **Optimizing Reports**

### Part 1 - Using Xero's Built-In Reports

Manufacturing businesses rely on detailed reports to make informed decisions. Xero provides various built-in reports that can give you insights into your business:

- Profit and Loss: Use this report to track your income and expenses over a specific period. Customize it to include tracking categories for a more detailed view of costs across different product lines or departments.
- **Balance Sheet:** This report gives you a snapshot of your business's financial position at any point in time. It's particularly useful for tracking assets, like raw materials and finished goods
- **Inventory Summary:** Monitor your stock levels and see which items are moving quickly. Xero's inventory summary provides sales trends and helps identify underperforming products.

# **Optimizing Reports**

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### Part 2 - Enhancing Your Reporting with Gojee

While Xero's built-in reports are helpful, they can sometimes be limited for manufacturers who need a different perspective on job financials. Here's how Gojee can enhance your reporting and organisation:

- **Job Financial Reports:** Gojee allows you to review specific jobs or combinations of jobs to provide more in-depth insights into your inventory, job costs, and profitability. One user said, "Gojee makes complex data simple and easy to understand," highlighting how these reports can help you focus on the metrics that matter most.
- **Custom Filtering:** Find jobs in progress with specific combinations of tags or any of the above. Filter out the ones you don't want to see data from. Show only jobs with open purchase orders, approved quotes, and more.
- **Inventory Reports:** See exactly where each one of your inventory items is going, will go, and has gone in the past. You can check your historical stock on hand at any given time in the past and see what jobs have used the most.

#### **Action Point**

Spend time setting up custom tags in Gojee that align with your business goals. Whether it's tracking specific product profitability or keeping an eye on overhead costs, tags will help you make better decisions.

With Gojee and Xero

### **Budgeting and Forecasting**

### Part 1 - Setting Up Budgets in Xero

Budgeting is crucial for manufacturers who want to keep their finances on track. In Xero, you can create budgets to plan for the upcoming months or years:

- Create a Budget: Use Xero's Budget Manager to set up monthly or yearly budgets. Include estimates for raw materials, labor, overhead, and revenue for a complete financial picture.
- Compare Actuals to Budgets: Use Xero's Budget
   Variance report to compare your actual spending
   to your budget. This helps you quickly identify
   where you might be overspending or
   underestimating costs.

### **Quick Tip**

When setting up your budgets, it's important to be realistic about your financial targets. Consider historical data, market trends, and potential risks.



# **Budgeting and Forecasting**

### Part 2 - Using Gojee for More Detailed Budgeting

Xero's budgeting tools are on a macro level, which might not be enough if your business has complex budgeting needs. If you need to see budgets for individual jobs or those spanning multiple months, Gojee has you covered.

• **Job Budgeting:** Gojee helps you set budgets and expected costs for specific jobs - down to the expected costs of each inventory item, asset, and labour unit used.

A Xero App reviewer mentioned, "Gojee's insights helped us keep our budgets in line," showing how it helps to support smarter budgeting.

 Work in Progress: Sometimes jobs can go on over the course of multiple months. Gojee has support for comprehensive cost adjustments and Work-In-Progress (WIP) accounting methods that assist with keeping your account books balanced when doing longer jobs.

### **Quick Tip**

Use Gojee and Xero in tandem to monitor budget performance in real-time and make adjustments as needed. With advanced budgeting tools, you can spot trends early and avoid potential financial pitfalls.

### **Integrating Xero with Other Tools**

for a smooth workflow

### Part 1 - Integrating with Time Tracking and Production Tools

To get a full picture of your manufacturing costs and to manage your business digitally, you will want to use other tools for time tracking, project management, and/or production scheduling.

Xero's flexibility allows for easy integration:

- Production Scheduling: Integrate your scheduling tools with Xero to automatically sync material costs and production expenses.
- Timesheets and Payroll: Connect time-tracking tools like Gojee and WorkflowMax to Xero for a seamless transfer of timesheet data into payroll. This integration makes it easy to allocate labor costs to specific jobs, improving your cost tracking.

### **Action Point**

Review the tools you're currently using and explore options for integrating them with Xero, or use Gojee to replace some of them. This streamlined approach can reduce manual data entry, saving you time and minimizing errors.

## **Integrating Xero with Other Tools**

for a smooth workflow

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### Part 2 - How Gojee Fits into Your Flow

Gojee is an all in one solution built for Xero which makes it easy to sync everything up so your data flows smoothly between platforms, cutting down on manual entry and errors.

Gojee allows for easy integration: Operations General Job & Project Ledger Management Accounts Sales Receivable xero Accounts Supply Chain Payable HR **Bank Feeds Fixed Assets** 

- Easy CSV imports/exports: Any spreadsheet program can edit a CSV, and Gojee allows for these to be exported and imported throughout the system. This allows you to build out macros to import inventory and jobs to integrate with export from other tools or get set up quickly.
- Production Scheduling: Integrate Gojee with Xero to automatically update its general ledger accounts with your material costs, reviewed timesheets and hours, and production expenses.

# Common Mistakes Manufacturers Make with Xero (and how to avoid them)

### Part 1 - Inventory Management Mistakes

Many manufacturers struggle with setting up inventory correctly in Xero. Here's some of the (and how to avoid) common pitfalls:

### Not Using Tracking Categories:

- **Issue:** Failing to set up tracking categories can lead to a lack of visibility into inventory costs by product lines, batches, or locations.
- **Solution:** Set up tracking categories in Xero to monitor these aspects. This provides valuable insights into where your money is tied up and helps in making informed decisions.

### Ignoring Stock Reorder Points:

- **Issue:** Without reorder points, you risk running out of critical materials or overstocking items, both of which can negatively impact your business.
- **Solution:** Set reorder points in Xero to ensure you maintain optimal inventory levels. For more advanced management, consider integrating tools like Gojee.

### Not Setting Naming Guidelines:

- **Issue:** Inconsistent naming conventions for inventory items can lead to confusion and errors in inventory management.
- Solution: Establish and adhere to a consistent pattern for naming and coding new inventory items. This ensures clarity and consistency, making it easier to manage and track inventory.

# Common Mistakes Manufacturers Make with Xero (and how to avoid them)

### Part 2 - Job Costing Mistakes

Incorrect job costing can lead to underpricing and lost profits:

### Forgetting to Allocate Overheads:

- **Issue:** Overheads such as equipment maintenance, utilities, and administrative costs are often overlooked, leading to inaccurate job costing.
- **Solution:** Ensure you allocate overheads to each job. This includes not only direct costs but also indirect expenses. Properly distributing these costs will give you a more accurate picture of each job's profitability.

### Not Reviewing Job Profitability:

- **Issue:** Without regular reviews of job profitability, you may not notice when a project is veering off course, potentially leading to financial losses.
- **Solution:** Use Xero's Projects feature and/or Gojee's job review/job profit report to regularly monitor job performance. These tools can help you track expenses, revenue, and overall job profitability, allowing you to make necessary adjustments to keep projects on track.

### **Quick Tip**

Regularly audit your Xero setup to make sure you're using its features to their full potential. Integrate with Gojee to fill any gaps in inventory or job tracking.

### Training Your Team on Xero and Gojee

### **Xero Training Essentials**

Your accounting system is only as good as the people using it. Here's how to make sure your team knows how to use Xero effectively:

- Training Sessions: Hold or send staff for regular training sessions on key areas like inventory management, payroll, and tracking categories.
- **Xero Resources:** Use Xero's webinars, tutorials, and the community forums for ongoing learning.
- **Xerocon:** Held around the world, this convention helps connect accounting professionals and let them share their knowledge in person.

### Gojee Training for Enhanced Efficiency

If you integrate Gojee, proper training is equally important:

- Onboarding with Gojee: Go through a full onboarding process with your team.
   Teach them how to use Gojee for realtime inventory tracking and receiving, job management, and time tracking.
- **Help Resources:** Use Gojee's Knowledge Base a freely provided online resource that guides users through all of its features and how they can be used.

### **Action Point**

Invest time in training for both Xero and Gojee. A well-trained team means fewer mistakes and better use of these tools to support your business growth.

## **Ongoing Maintenance and Review**

### **Best Practices**

### **Regular Account Reconciliation**

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- Bank Reconciliation: Regularly reconcile your bank accounts in Xero to catch discrepancies and keep your financials up-to-date.
- Use the end of the month to double-check your jobs, process any remaining WIP, and rectify any earnest mistakes made by team members.

### **Monthly Inventory Check**

- Conduct monthly inventory checks and make sure to take stock of your inventory on hand and update via CSV with Gojee's Bulk Stock Adjustment and watch their movements in the Inventory Movements report.
- Mentioned earlier, Gojee's Stock on Hand Report allows users to quickly check stock from a specific point in time - simplifying the process of your monthly stock take.

### **Job Profitability Analysis**

• Run job profitability reports in Gojee every quarter to stay on track. Adjust pricing, budgets, or processes based on the insights you gather.

#### **Action Point**

Set a regular schedule for account reconciliation, inventory reviews, and profitability analysis. Making these reviews a habit will keep your finances in order and support smarter decision-making.

# Make Xero Work for Your Manufacturing Business

### Conclusion

Xero is a great tool, but it's even better when you set it up to fit your manufacturing business. By customizing your accounts, managing inventory, and tracking job costs, you'll be able to run your business more smoothly and make better financial decisions. And with Gojee, you can fill in the gaps for more complex inventory and job tracking needs.

### So what are the next steps?

- Download This Guide: Use this guide as your go-to reference for setting up Xero and exploring how Gojee can enhance your accounting.
- **Keep Learning:** Consider training on Xero's advanced features and integrating with other tools like Gojee to get the most out of your setup.

Ready to Take Control?

https://www.gojeeapp.com.au/

Sign up for Gojee's free trial and see how it can transform the way you manage your business.

Or if you'd like a bit of extra help, reach out to us or book a demo. We'll pair you with a Gojee-partnered accounting firm to get you set up with both Xero and Gojee – no hassle, just results.