

THE DIFFERENT INVOICING METHODS IN MAESTRO*

Maestro* supports the use of many invoicing methods commonly used in the construction industry. This document outlines the various options to help you determine which methods are most suitable to your business.

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ENTER A SALE (T&M) INVOICING

This invoicing method is also known as *Manual T&M Billing*. It is often used by trade contractors and subcontractors for small-scale work and may be linked to the use of work orders¹. Furthermore, this invoice type is particularly useful for contractors that do not use contractual billing. It allows a user to directly enter the different elements that must be billed, such as material used (three wires and a strap), travel time, hours worked, etc. In effect, this is a kind of free-form invoicing, by which the user can produce an invoice showing whatever content they like.

Besides the many concrete and quarry companies who use it, this method meets a variety of needs and the majority of **maestro*** users will use it for one purpose or another at some point. This type can be used to produce a contractor's invoice, for example, who decides to sell a piece of equipment, such as a shovel, to buy a newer one, or to bill any kind of one-off service. Enter a Sale invoicing can also be used to back charge a subcontractor.



- The Enter a Sale invoicing method is quick and easy to use and can be used for many purposes.
- With this method, the invoice is created from start to finish within the single option.
- The billing of items does not require them to be a part of the **maestro*** catalogue.



- Since this invoice mode is independent and not linked to any other option in the software, it is easy to forget to bill items.
- A new **maestro*** user could be tempted to produce a project's invoices from this option instead of from the **Prepare Progress Billing** option, which should be the preferred method for true progress billing.

WORK ORDER (T&M) INVOICING

Work Order Billing allows the automatic rebilling of a given project's incurred costs. These costs can be selected and grouped together on a work order. They can be charged at cost plus (marked-up) or at fix prices, based on the previously defined parameters. An invoicing contract must have been created in **maestro*** beforehand to establish the billing rules for each contract.

Work order billing is also used when some type of work or internal company task is given to a subcontractor or outsourcing company – as is common for industrial construction. As previously mentioned, the use of work orders often leads to the use of work order billing.

¹ Do not confuse the use of work orders with using the **Enter Work Orders** option.

Examples

- A company could decide to entrust their electrical or mechanical maintenance work to a third party, sparing them the need to engage with various unions.
- Outsourced employees can work full-time in the company's offices, factory, or given region. They are managed by the company that called for a subcontractor and not their employer.



In Quebec, the term "régie contrôlée" is used in French for this particular invoice type and has no real equal in English. In **maestro***, the latter has been translated to **Work Order Billing**. It allows for the invoicing of work orders.

Work Order Billing is distinct from service invoicing. In **maestro***, a work order is created to identify the customer number, the work requisition, and other general parameters. The said work order will then be used to accumulate materials used, labour hours worked and equipment usage. This process happens on a day to day bases as work proceeds. Work Order Billing also offers tremendous flexibility in invoice presentation and allows various levels of detail presentation and grouping together of multiple work orders on a single invoice. Individual items can also be flagged as non billable or postponed to a future invoice. Work Order Billing is linked to the **maestro*** [catalogue](#); it demands that selling items be entered in the latter.

There are also many possibilities offered in terms of work approval during the pre-billing cycle. It is possible to generate approval reports before billing and to attach these approved documents to the invoice, as a PDF file.



- All costs incurred on a project will flow through to billing so that nothing can be forgotten.
- Work Order Billing offers great invoicing flexibility for a whole variety of invoicing scenarios.



Special Pricing

The **Customer Discounts Table** option in **maestro*** can apply to every invoice type. It allows the automatic management, at the time of billing, of discounts or special prices attributed to one or more customer(s) for a product, a product type, for a client type, a work order, or a specific project. It is also possible to specify dates for which these discounts/prices will be applied.

CONTRACTUAL BILLING

This invoice type requires the establishment of a set contract price before the start of construction work. Depending on the duration and/or scope, this could be a fixed price to bill upon the completion of work or could be progress billed multiple times until the full contract value is reached.

All contractual invoices must be linked to a previously created contract as well as to a project.

Lump Sum

Lump sum invoicing consists of a total fixed price set at the start of the project. The replacement of a residential home's windows is a good example of work that would be billed by lump sum.



- This invoice type is often used when few details need to be recorded in the project and when the customer does not need to see the details of every item billed.
- It allows the invoicing of change orders on top of the original contract value.

Progress Billing

This is probably the method that **maestro*** construction client use the most. The customer is billed based on the monthly progress or work, and a payment request may precede the invoice, so that modifications can be made if need be prior to sending out the final invoice. If some phases are defined in the progress bill, they can correspond, or not, to the project's phases.

Monthly progress can be recorded based on the progress of work to date in the current period or on cumulative work to date. It can be based on:

- Percentage complete by items
- Quantity complete by item (with a unit cost)

In the case of an invoice by percentage progress (or by unit), the contract may be broken down into sections that can correspond to the different construction phases or to match the bid items from the customers original bid form. A portion of the total cost is associated to each of these phases and then each month, the progress percentage of each phase is recorded. The customer is billed based on the progress of each line item.

It is possible, in **maestro***, to modify the recorded progress percentages after printing a payment request to present to the customer so that they can be counter-verified by the customer or their representative. This allows for the settlement of discrepancies before the final invoice is submitted.

When the invoice is by quantity progress, work progress percentages are replaced by quantities. Each detail line would be defined with a unit price and estimated quantity. Each month the quantity to date is updated and the unit price applied to determine that month's billing. Based on the quantity of material used (by m³ for example), the project's final amount can be lesser or greater than the planned amount. This invoice type is frequently used in heavy construction where construction work must be completed based on detailed excavation plans and unit costs per bid item, for example.



It is possible, in **maestro*** 3.05, to use both percentage and quantity detail lines on the same progress bill.



Lump sum invoicing makes it possible to bill gradually as construction work progresses.



An evaluation of the construction progress must be done for each invoice period and therefore requires that project deliverables or milestones be clearly defined beforehand.

Cost Plus Invoicing

This invoice type establishes a direct link between costs incurred by the contractor and the price charged to the customer for a certain material or labour; it stems from a cost-plus contract instead of a lump sum one. Cost plus invoicing is often used when the scope of work includes the sale or personalized products, for which various modifications can be made during the construction.

During the cost plus billing process all costs will be presented in a grid on the screen (in **maestro***), and the corresponding selling price shown for each line. The selling price is generally the cost plus the appropriate markup. This markup could include administration fees (10% for example) and a profit percentage (5% for example), determined and agreed to in the contract. For labour and equipment costs it is also possible to set a charge out rate rather than use the actual cost. Copies of bills paid by the contractor are often attached to the invoice sent to the customer.

This billing type can, for example, be used in the construction of luxury homes. During construction, windows can be added, walls removed, materials changed, flooring added, etc. With cost plus invoicing, all these costs get presented to the customer and marked up as per the agreed to contract.



This billing mode generally enables a direct link between actual project costs incurred by the contractor and billing to the customer.



Elements in the invoice that are identified as non-billable when generating an invoice will not be billed using this invoice type later on. They will have to be billed through the Enter a Sale (T&M) Invoicing method. This method therefore offers fewer possibilities to the user.

Construction Management Billing

Construction Management Billing is the hallmark of construction management.



Construction Management

Construction management is when a project manager or general contractor manages a project for the client. The mandate can include the preliminary plans of the construction, the managing of schedules and deadlines, cost management, work execution, respecting the construction material and health and safety requirements, supervision, managing subcontractors and suppliers, etc. The client is still responsible of the expenses, even if payments can be done by either the contractor or the said-client. The contractor's or project manager's financial performance is often the product of an agreement where a possible sharing of the savings made is added to the project management costs.

Construction Management Billing allows to bill said-client based on the construction progress, to mark up cost prices by a profit percentage determined in the contract, and, if needed, to add administration fees. The invoice is generated for a given period and all transactions that need to be billed are listed and grouped by project activities.

This billing mode offers the same characteristics as cost plus invoicing, and also facilitates the project's progress (based on the percentage of completed elements) with respect to the established budget. Furthermore, it allows to process sub-projects and to join documents related to transactions billed upon the mailing of the said invoice.



Construction Management Billing offers the following advantages:

- At the time of billing, the customer can view the detail of all billed expenses.
- The customer can compare the said expenses with the established budget and can follow up on the work progress.
- In addition to presenting the incurred costs, this billing method allows to add a profit percentage and/or administration fees.

SERVICE MANAGEMENT BILLING

In **maestro***, there is a specific module dedicated to service management. It allows for individual or combined billing of service calls, whether they originate from **maestro*MOBILE** or **maestro***.

WORK ORDER DIRECT BILLING

Though many clients bill work orders through **Work Order Billing**, **maestro*** also allows the invoicing of work orders through direct billing in the **Enter Work Orders** option. This method would create one invoice per work order and simply invoice everything that has been entered on the work order. The work order is transferred to **Enter a Sale** and a regular invoice ensues.

CUSTOMER ORDERS INVOICING

Maestro* offers the renting of equipment and realization of orders for customers. As a result, a new invoice option has been developed to answer to those needs.

Customer orders are linked to the **maestro*** [catalogue](#), therefore allowing users to have access to the sale price (discounted or not), to know the availability of sold items, and to make available all information concerning the quantity to be delivered or that has already been delivered. Customer orders and the invoicing of the latter are mostly used in the distribution field.

QUARRY AND CONCRETE TICKETS

Quarry and concrete tickets can also be billed in **maestro***. Because of their specialized requirements, this is explained in a separate document.

HOMEBUILDER SALES

Residential sales are also covered in a separate document. They consist of notarized sales and are managed in a specific module of **maestro***.

HOLDBACK NOTIONS

According to the Canadian Construction Association's (CCA) standards and construction contracts, a contractor will often allow their customer to hold back a percentage of each invoice and defer payment of the holdback amount until the project has reached substantial completion. This amount withheld is part of a contractual agreement and is usually fixed at 10% but can be any defined percentage. In part, this is considered a sort of insurance for the work to be completed and is a widespread standard in the construction industry. Holdbacks become payable when the construction work is done and delivered. Holdback percentages are calculated on the whole invoice. In the case where a 10% holdback is agreed upon, 90% of the sale (plus tax) is initially billed and due. The balance, 10% of the sale plus tax, is billed at the end of the contract. Indeed, based on industry practices and government requirements, taxes must be declared and accounted for on invoiced amount and paid within prescribed deadlines. The standard holdback method follows these standards and is the recommended option by Maestro. However, in practice, there are three ways that construction companies deal with holdbacks:

- Standard method
- With Tax method

- Without Tax method



The processing of holdbacks requires the setup of two accounts receivable (as well as two accounts payable) GL accounts in **maestro***: one for current receivables and one for deferred holdbacks receivable.

Standard Holdback Method and Holdback Release in **maestro***

Though the customer is billed for the total cost minus the holdback, the standard holdback application in **maestro*** has for effect of accounting for the total sale amount upon the generation of the first invoice. Since taxes are applied to the total cost minus the holdback, 90% of taxes are due on the first invoice². The difference, 10% of taxes, will be accounted for upon the release of the holdback. A second invoice will be generated to this effect.

With this method the entire sale is recognized as revenue, but the holdback is deferred and invoiced at a later date. The amount of the holdback will be allocated to a deferred receivables account for holdback and no tax will be applied to the holdback amount. This method has the benefit of not recognizing the tax liability until the holdback becomes due.

When the holdback does become due **maestro*** can produce a holdback invoice and create the tax liability at that time. This invoice will create no revenue as that has already been recognized on the original invoice. It is simply a method to claim the holdback from the customer. Note however that the contractor will now have a tax liability even if the customer has not yet paid the invoice.

²In the case of a 10% holdback.

Example of a Standard Holdback Process in maesti

applied to a 10% holdback sale, and where the GST (5%) and QST (9.975%) are applicable

1

Production of the 1st invoice

- ∴ Maestro* declares 100% of the sale and 90% of taxes.
- ∴ Maestro* reserves the holdback on income only.
- ∴ (The sale – the holdback) + taxes are charged to the customer

	DT	CT
Incomes		\$100.00
GST to be paid		\$4.50
QST to be paid		\$8.98
Holdbacks	\$10.00	
Customer account	\$103.48	
Total	\$113.48	\$113.48

2

Payment of the 1st invoice, by the customer

	DT	CT
Bank	\$103.48	
Customer account		\$103.48
Total	\$103.48	\$103.48

3

Production of the 2nd invoice, upon release of holdbacks, once the contract is over.

- ∴ Maestro* releases the 10% sale holdback and adds the applicable taxes.
- ∴ To do so, 3 accounting entries are done by maestro*:

A

A 1st invoice for the customer.

	DT	CT
Incomes		\$10.00
GST to be paid		\$0.50
QST to be paid		\$1.00
Customer account	\$11.50	
Total	\$11.50	\$11.50

B

A second one to release the holdback and overturn the sale counted in Step A, since the latter was included in the sale amount in Step 1.

	DT	CT
Holdback	\$10.00	
Holdback		\$10.00
Total	\$10.00	\$10.00

C

A third entry with no accounting impact, that allows the deletion of an invoice which displays ∅ on the customer account age report.

	DT	CT
Holdback		\$10.00
Holdback	\$10.00	
Total	\$10.00	\$10.00

4

Payment of the 2nd invoice, by the customer

	DT	CT
Bank	\$11.50	
Customer account		\$11.50
Total	\$11.50	\$11.50

Holdbacks with Tax

A second way of dealing with holdbacks treats the holdback and tax more like cash basis accounting, in that the tax liability will only be recognized when the customer actually pays the holdback.

With this method, taxes applicable to holdbacks are accounted for from the start. However, these are provisioned and do not appear on the tax report, when issuing the invoice. These taxes are only declared when the holdback has been paid.

At the moment of original invoicing the holdback amount (plus tax) is allocated to the holdbacks receivable account but the tax amount is also assigned to a deferred tax due account. Then at the time the payment is received for the holdback the tax is transferred from the deferred account to the tax liability account.

The advantage of this method is that the contractor is not on the hook for taxes until the customer actually remits the holdback. The downside is that Maestro does not create an invoice for the holdback; we simply wait for customer to remit payment. This is intentional since if an invoice was created the tax would legally be due.

Example of a Holdback Process said “with Tax” in maestro*
 applied to a 10% holdback sale, and where the GST (5%) and QST (9.975%) are applicable

1

Production of the Invoice

∴ Maestro* declares 100 % of the sale and 90 % of taxes.

∴ Maestro* reserves the holdback on the income only; (the sale – the holdback) + taxes are charged to the customer.

	Debit	Credit
Incomes		\$100.00
GST to be paid		\$4.50
QST to be paid		\$8.98
Holdbacks	\$11.50	
Customer account	\$103.48	
Holdback - taxes		\$1.50
Total	\$114.98	\$114.98

2

Payment of the Invoice

	Debit	Credit
Bank	\$103.48	
Customer account		\$103.48
Total	\$103.48	\$103.48

3

Sending the Statement of Account

4

Receipt of the Final Payment

	Debit	Credit
Bank	\$11.50	
Holdback		\$11.50
GST to be paid		\$0.50
QST to be paid		\$1.00
Holdback - taxes	\$1.50	
Total	\$13.00	\$13.00

Holdbacks without Tax

Lastly, the third method, rarely used by Maestro clients, recognizes the full tax liability right up front and therefore creates holdback receivables without tax. So unlike the With Tax method, taxes are due to the government upon the original billing and therefore no tax need be declared upon payment of the holdback.

This method entails that the holdback is calculated from the invoice amount's subtotal and that taxes are 100% declared on the first and only invoice. Contrary to the method with tax, **maestro*** declares 100% of incomes,

but also 100% of taxes when invoicing, making the holdback provisioned, with no tax. Taxes are therefore due to government agencies upon billing and no tax is declared upon payment of the holdback.

Comparative Table - Holdback Management Methods in maestro*

Method and Main Characteristics	Advantages	Disadvantages
<p>Standard with Holdback Release*</p> <ul style="list-style-type: none"> • Two invoices are issued. • The revenue completely accounted for when issuing the original invoice. • The original invoice's taxes are calculated on the sale amount, minus the holdback. 	<ul style="list-style-type: none"> • Upon substantial completion, the holdback is billed and an invoice produced for the customer. • This method meets governmental requirements. 	<ul style="list-style-type: none"> • The company's liquidity can be affected because the taxes become due to the government upon the issuance of the holdback invoice (even if the customer does not pay the holdback in a timely manner).
<p>With Tax</p> <ul style="list-style-type: none"> • Only one invoice is issued. • The revenue is completely accounted for when the invoice is issued. • The tax applicable on the holdback amount is declared only upon the payment of the holdback. 	<ul style="list-style-type: none"> • The tax liability on the holdback amount is not recognized until the payment of holdback is received, limiting the impact on the company's liquidity. • The taxes applicable to the holdback do not affect the customer's accounts; an advantage during a credit analysis. 	<ul style="list-style-type: none"> • An account statement or an external invoice (not posted in maestro*) must be sent to the customer to notify them that the holdback is now due.
<p>Without Tax</p> <ul style="list-style-type: none"> • Only one invoice is issued. • The revenue and taxes are 100% declared when billed. • The holdback is therefore recorded and billed without tax. 		<ul style="list-style-type: none"> • An account statement or an external invoice (not posted in maestro*) must be sent to a customer to notify them that the holdback is now due. • All taxes are due upon issuing of the original invoice.

*This method is recommended by Maestro, as well as by government authorities.

FREQUENTLY ASKED QUESTIONS



Why do people talk about a similarity between Work Order Billing and Cost Plus Invoicing?

In both cases, the agreement between the company and the customer is based on the fact that all committed and accumulated costs to date can be billed. The total project cost is therefore not necessarily determined at the start, although a budget is normally agreed upon and requires change orders to be adjusted. Furthermore, with both methods, it is possible to apply labour charge out rates and markups.

The main difference is that W/O Billing allows a much more flexible way of calculating billable amounts for each cost. Indeed, **maestro***'s Work Order Billing makes use of catalogue items to set the selling prices, whereas Cost Plus does not offer that possibility and simply marks up actual costs. One could say that Work Order Billing is in fact a type of advanced Cost Plus invoicing option.

REMINDER

- It is possible, in **maestro***, to use many different invoicing methods.
- Enter a Sale billing makes it possible to bill material used, hours worked, travel time, etc. without the need for a contract to be defined or for the billed items to be linked to a **maestro*** project or catalogue. It is the most manual of the billing methods.
- There are several contractual billing methods available in **maestro***: Cost Plus, Construction Management Billing, Lump Sum, or Progress Billing (by direct costs, progress percentage, or unit based).
- Work Order Billing allows the automatic rebilling of the costs incurred for a given project, at a fixed or marked up price.
- **Maestro*** also offers options to bill work orders, service calls, change orders, quarry and concrete tickets, and perform home closings for homebuilders.
- Lastly, **maestro*** is designed to manage holdbacks according to standards implemented by the industry as well as alternate methods observed in the field.

FOOD FOR THOUGHT – INVOICES IN MAESTRO*

- Which billing types are used in your company, considering the explanations offered in this document?
- Do you do true progress billing with scheduled values?
- What is your invoicing process, at a high level?
- How are your invoices generated? Where does the information come from? Do you use custom invoices for your customers?

FOOD FOR THOUGHT – INVOICES IN MAESTRO*

- What information needs to be displayed on the invoice? At what level of detail?
- Do you plan on entering and formatting the final invoice manually, or does the detail come from a completed work order? Please give us more information concerning your billing process so that we may assist you in generating the desired output.
- Do you use different forms for each invoice method?
- If you use the time and material invoicing, do you bill by charge out rate?
- Do you manage holdbacks? If yes, how?
- How many employees have a hand in the invoice preparation process? What is the role and responsibility of each individual?
- Do you need to perform a price verification before processing an invoice? If yes, how do you proceed?
- Do invoices need to be approved by customer or their consultant?
- Do invoices need to be reviewed and approved internally?
- Are some invoices the result of a contractual agreement with customers?
- Are product and service billing prices pre-established?
- Are some billing prices the result of a mark-up of the cost price?
- Do you use a price list, or do you manage per customer, product, order, and/or project?
- Do you manage customer credit limits?
- When do you produce your invoice report?
- When are the administration fees applied?
- Are invoices printed and/or sent by email?
- Do you send statement of accounts to customers?
- Do you charge interest or administrative fees in the case of late payments?
- How do you manage loans?

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