

Bookkeeping and the Trucker

By Timothy D. Brady



When most people think of bookkeeping, they most likely wouldn't think 'trucker' in the same thought. Bookkeepers are thought of as someone sitting on a stool over a writing table with a printer's visor, armbands blousing his sleeves, a furrowed brow and an out-of-balance ledger spread before him. But in reality, any trucker who isn't a bookkeeper will be out of business in a very short time.



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Bookkeeping is the foundation upon which your business is measured. Without a good set of books, you have no means from which to determine where your company has been, where it is today and where you need to head tomorrow. Not having a good bookkeeping system would be the same as purchasing a road atlas but when you opened it up all the pages were blank.

Many truckers think of bookkeeping as a necessary evil, so they have the correct information to file a tax return. And yes, while it is very important to keep excellent records for the purpose of minimizing your tax bite, it is only a small portion of what keeping a good set of books is all about.

The first question you need to ask yourself is, "How much revenue (income) does my operation require to meet the cost of doing business?" To be able to answer this question it is imperative you know what it costs to run your operation. There is a point where **income** meets **cost** in every operation. This is known as the *Break-Even Point*. It becomes your first target in understanding the financial needs of your company. Think of it as the hood ornament or the center point of the front of your truck's hood. You can't very easily keep your truck going in the right direction unless you can gauge how straight you are to the center line of the road, and the front center of your hood becomes the reference point from which this is determined. The *Break-Even Point* becomes the reference point in determining how you are headed towards your company's financial goals.

In order to figure your Break-Even Point it is very important you keep track of all of your expenses. And you can't wait until the end of the year to start separating your receipts into the correct expense categories. In today's trucking business environment if you don't know where you stand financially every single week, you will find yourself in trouble. If you rely on hauling rate information from brokers or customers without knowing your costs—**all** your costs—you will find yourself short of revenue. Put it this way; if you don't know your break-even point and how much above it you need to cover expenses and have a bit of profit, you won't know whether you've got a money-making load or not. It isn't the brokers' or shippers' job to know what your break-even point is—they see it as your responsibility.

With the cost of fuel and the limited amount of available decent paying tonnage, you must focus on what it really takes to make a load worth hauling. By knowing your numbers and having a hauling rate range based on your break-even point and profit, you won't be wasting your time hauling shipments which don't pay enough to cover your expenses.

Start by developing your three super categories.

1. **Fixed Costs:** Any expense which must be paid regardless of whether the truck is rolling or not. Think: if I have to pay this expense even if the truck sits for two months,

it's most likely a Fixed Cost. This includes truck payment (lease or loan), insurance, license and permits, FHUT, cell phone, other office expenses, etc. Oh, and don't forget the most important expense you have—figure a fixed salary for yourself and anyone else assisting you. These costs need to be totaled for a full year, then divided by 365 days to determine your *Fixed Cost per Day*.

2. **Constant Variable Costs:** The operative word here is *Constant*. These are expenses which occur every time you jump in the truck and roll. This includes truck repairs, truck washes, uniforms and laundry, tires, maintenance, actual cost of meals on the road, state fuel tax and ton-mile taxes, equipment repairs, etc. Note fuel, tolls, lodging, lumper labor, trip permits were not listed here as they all belong in the third super category *Load Specific Costs*. Constant Variable Costs are figured from what it cost you last month to run your truck. Divide this total by the actual hub miles your truck covered last month to come up with your *Constant Variable Cost per Mile*.
3. **Load Specific Costs:** There are some expenses which only apply to specific loads like tolls, lumper labor, or trip permits; while other expenses have significant differences in the amount spent on each trip, like fuel. These figures need to be up-to-date to the load or week in which you are going to lay out the money for them. Take your total hub miles for a week, divide by your truck's anticipated miles per gallon, and multiply by the current fuel cost per gallon, for the total fuel cost for the week. Add the week's tolls, labor and permits outlay to your fuel cost total to determine your *Weekly Load Specific Cost*.

To figure your weekly Break-Even Point you take the *Fixed Cost per Day* total and multiply it by 7 days. Next take the total hub miles and multiply it by your *Constant Variable Cost per Mile*. Finally take your *Weekly Load Specific Cost*. Take the totals from these three calculations, add them together and there's your weekly break-even point. Divide this number by paid miles to see what you need to be receiving by the mile to break even, or divide it by 5 to see how much you need to make per day to break even.

Important Note: You must determine a revenue amount above your break-even point to stay in business. If you constantly only make your break-even point on each load, you will eventually get behind the eight-ball.

If you really want to improve your financial standing in the trucking industry, begin with knowing your numbers. Others may not think of trucker and bookkeeping in the same sentence, but successful truckers do.

Timothy D. Brady is

- A 20+ year trucking veteran.
- AMSA's 2002 Super Van Operator of the Year HHG.
- The "Trucker's Business Advisor" on Sirius Road Dog Trucking Radio's "Loading Dock."
- Heard in podcasts on <http://AmericanRigRadio.com>
- Author of best-selling trucking business books and columnist for top trucking industry publications.
- Available for speaking engagements and to conduct workshops for drivers, trucking company personnel and trucking industry service and product providers.
- An instructor for trucking business workshops through a partnership with a major university and local community college. (check www.truckersu.com for details.)

Contact him at tbrady@writeuptheroad.com or call (731) 749-8567.