



Train Your Accountant to Become a CFO

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MCA Inc.



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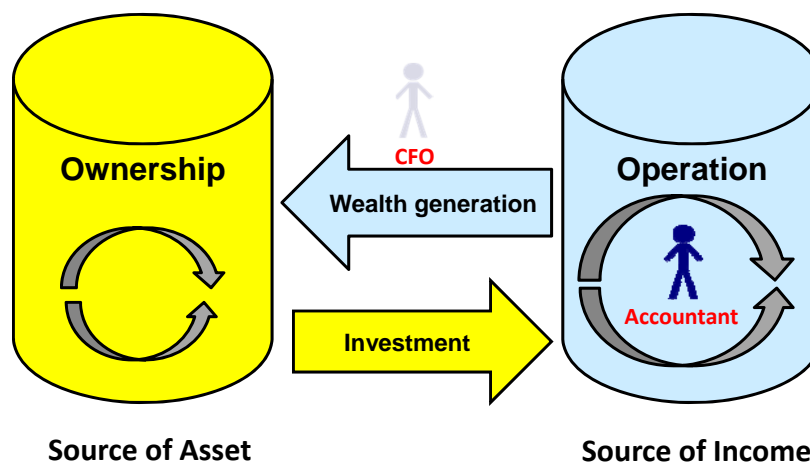


Outline

- Money management in construction
 - Two functions of money
 - Impact of Industrialization
- Role of an accountant
 - Work breakdown
 - Three levels of accounting
- Role of an officer



Role of Accountant vs. CFO

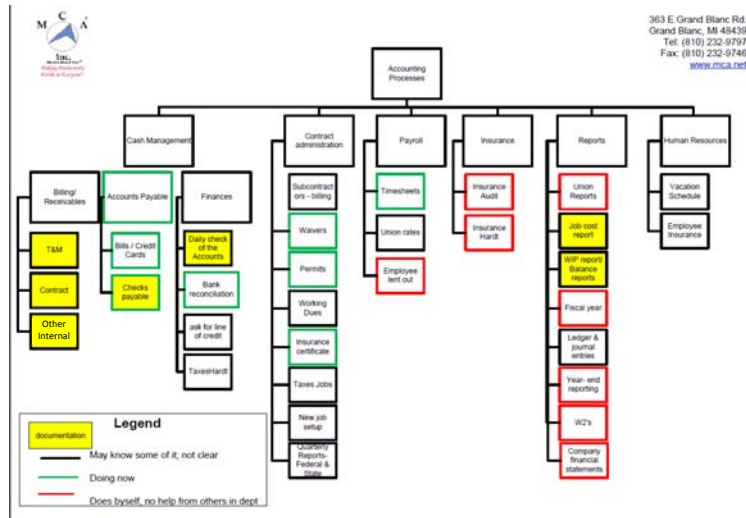


Role of Accountant vs. CFO

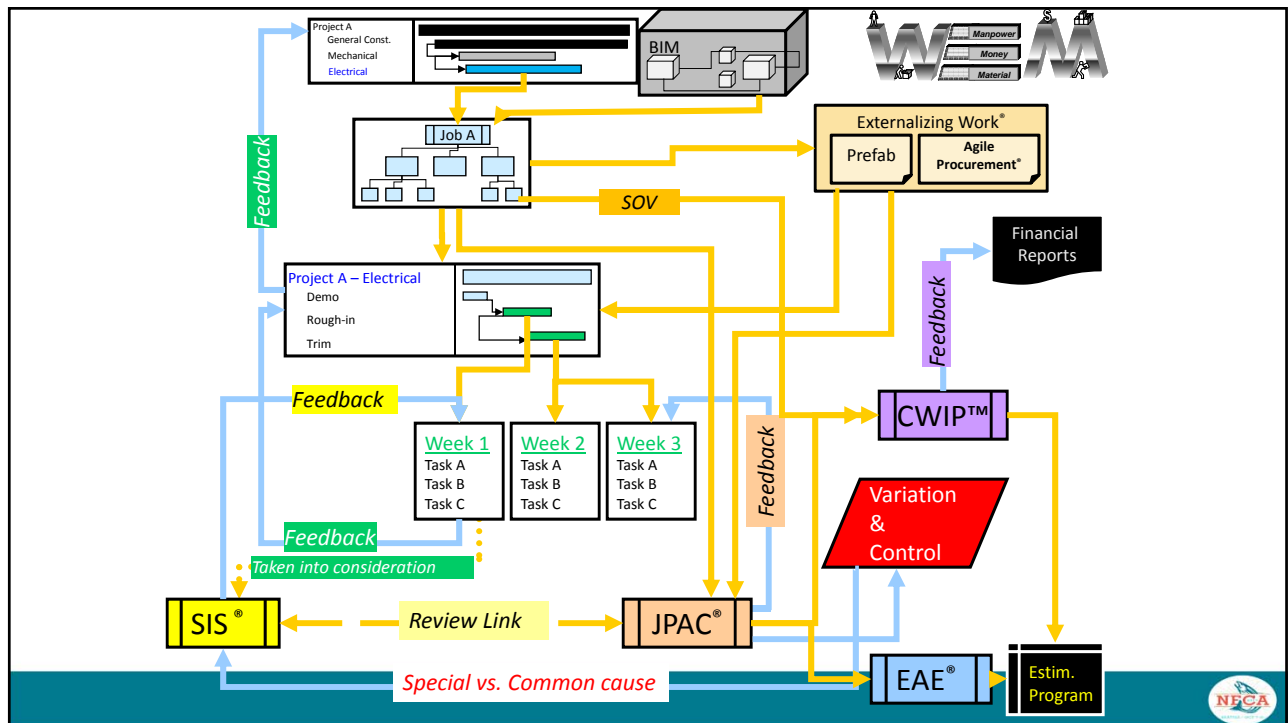
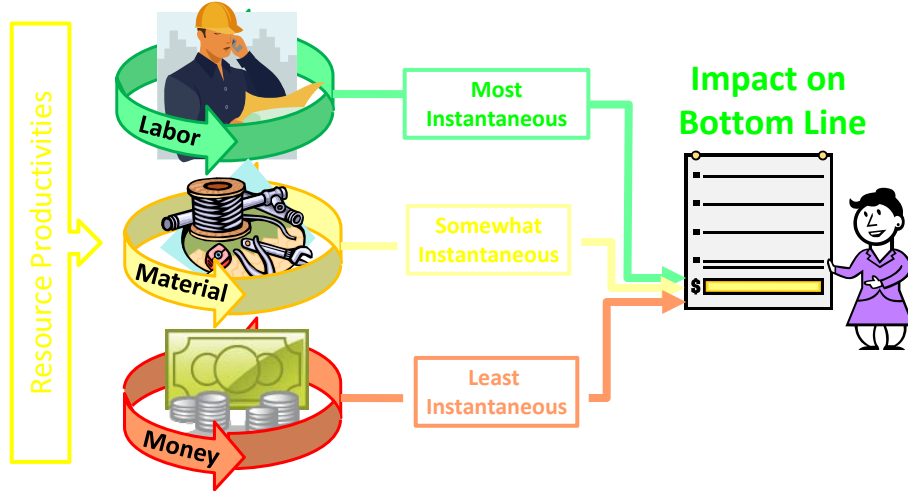
Accountant Responsibilities	CFO Responsibilities
Compliance – GAAP, company policies	Company cash flow management
Produce P&L	Profitability
Produce balance sheet	Collection
Produce WIP	Analyze and make decisions based on financial reports
Supervise accounting functions, i.e. payroll, A/R, A/P, Billing, Collections	Maintain key relationships: bank, insurance, bonding
Update budget & forecasts	Wealth increase
Maintain General Ledger & Chart of Accounts	Develop & monitor control systems for accounting
Follow period-end closing schedules	Develop financial and tax strategies
	Investment planning and execution
“After the fact” reporting	“Look ahead” reporting

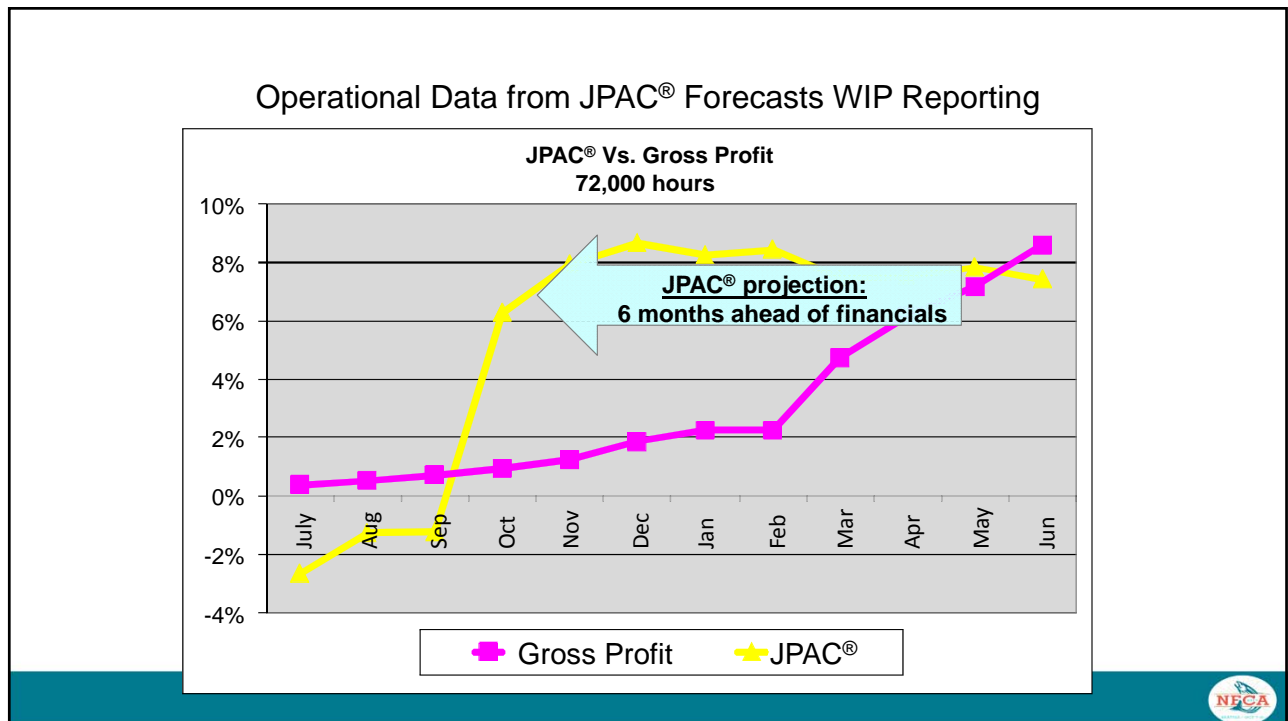
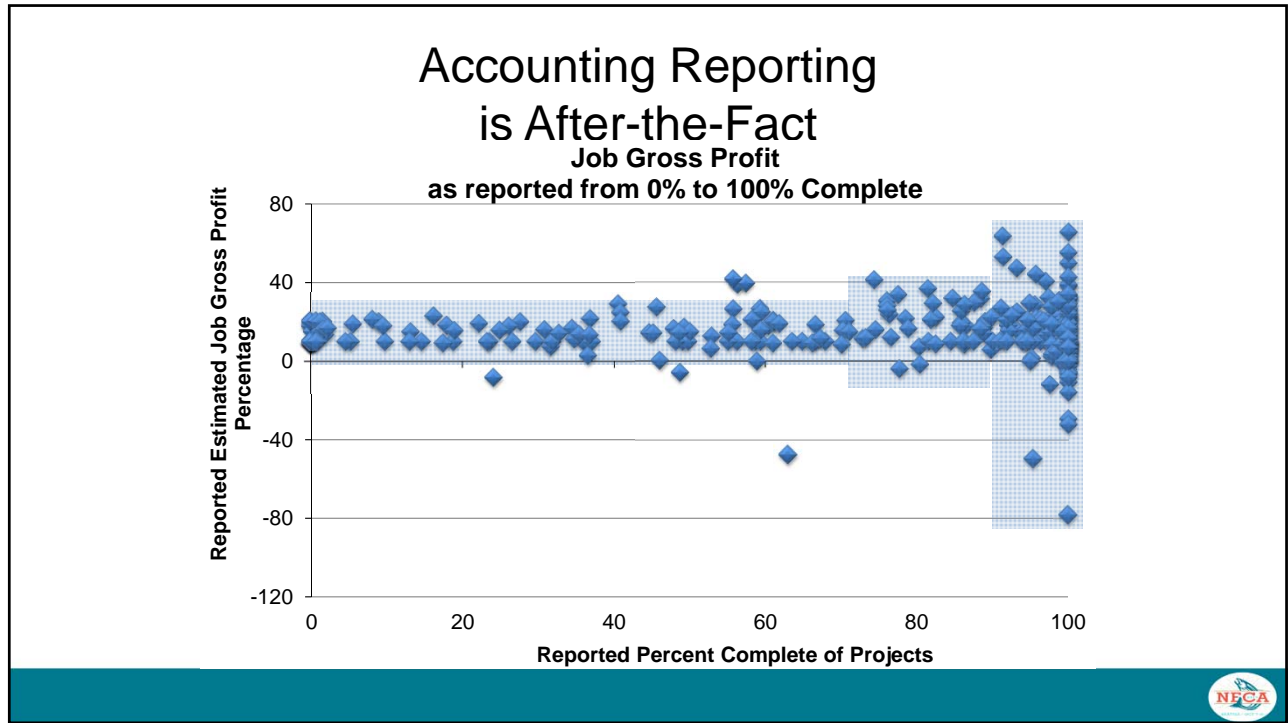


Sample Accounting WBS

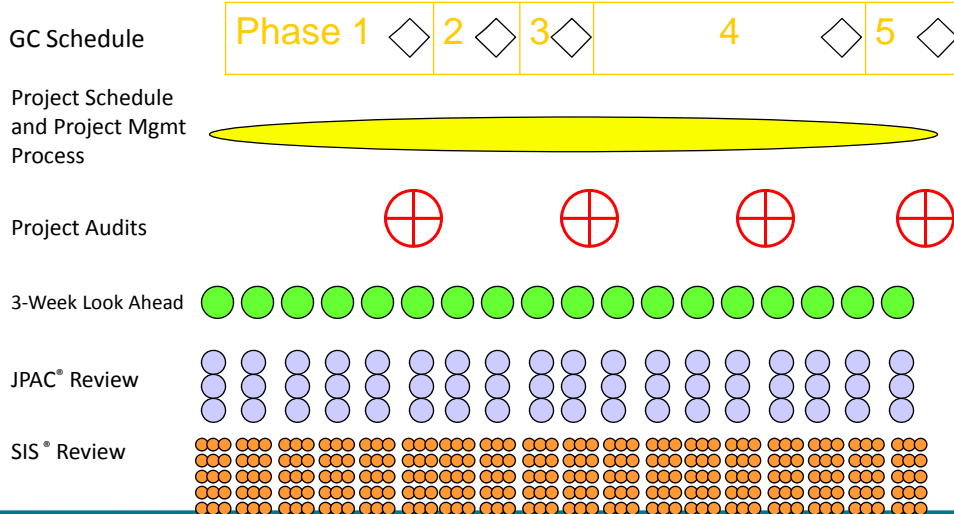


Impact of Financial Controls

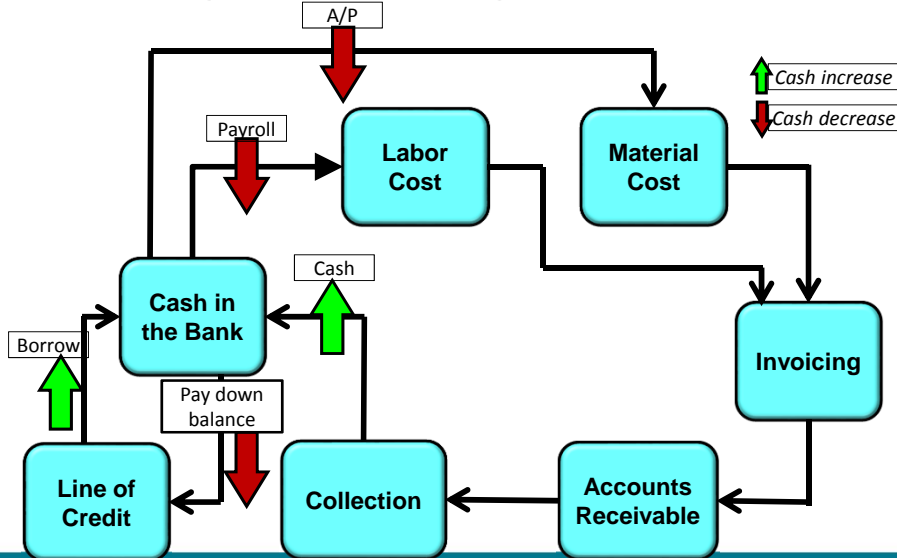


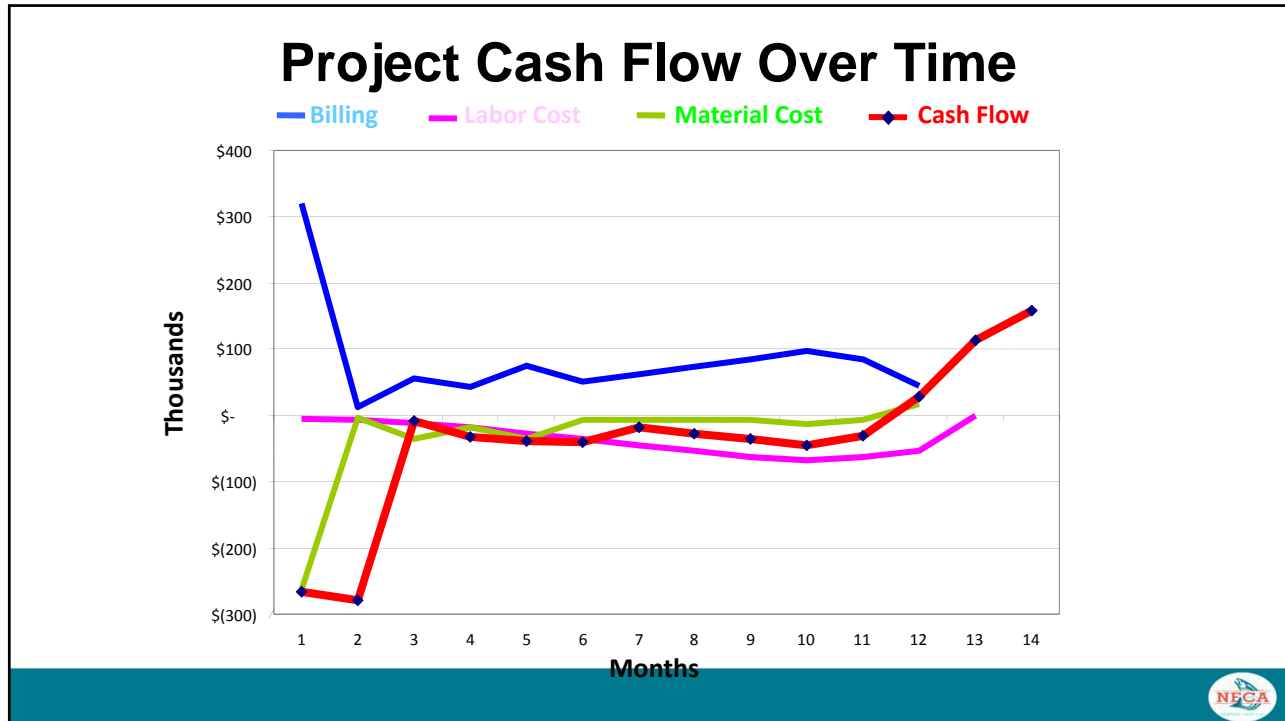


Level of Project Reviews to Ensure Financial Predictability



Contractor Cash Flow





Revenue Recognition for Construction Contracts

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- Cost-based Percentage of Completion method

Revenue Earned = Total Contract Value × % Complete

$$\% \text{ Complete} = \frac{\text{JTD Actual Costs}}{\text{Estimated Overall Costs}} \times 100 \%$$

The cost-based % complete could not show the actual job progress in the field

Using ASTM E2691 for Revenue Recognition

- Recognize revenue as effort expended toward identified performance obligations
 - Performance obligations are outcome of WBS
 - Observed % complete
 - Observe the job site to reflect the actual % complete of the work to complete the project and transfer value to the owner
- Keep the same !!

$$\text{Gross Profit (\%)} = \frac{\text{JTD Revenue Earned} - \text{JTD Actual Costs}}{\text{JTD Revenue Earned}} \times 100\%$$

Use observed % complete to calculate JTD Revenue Earned

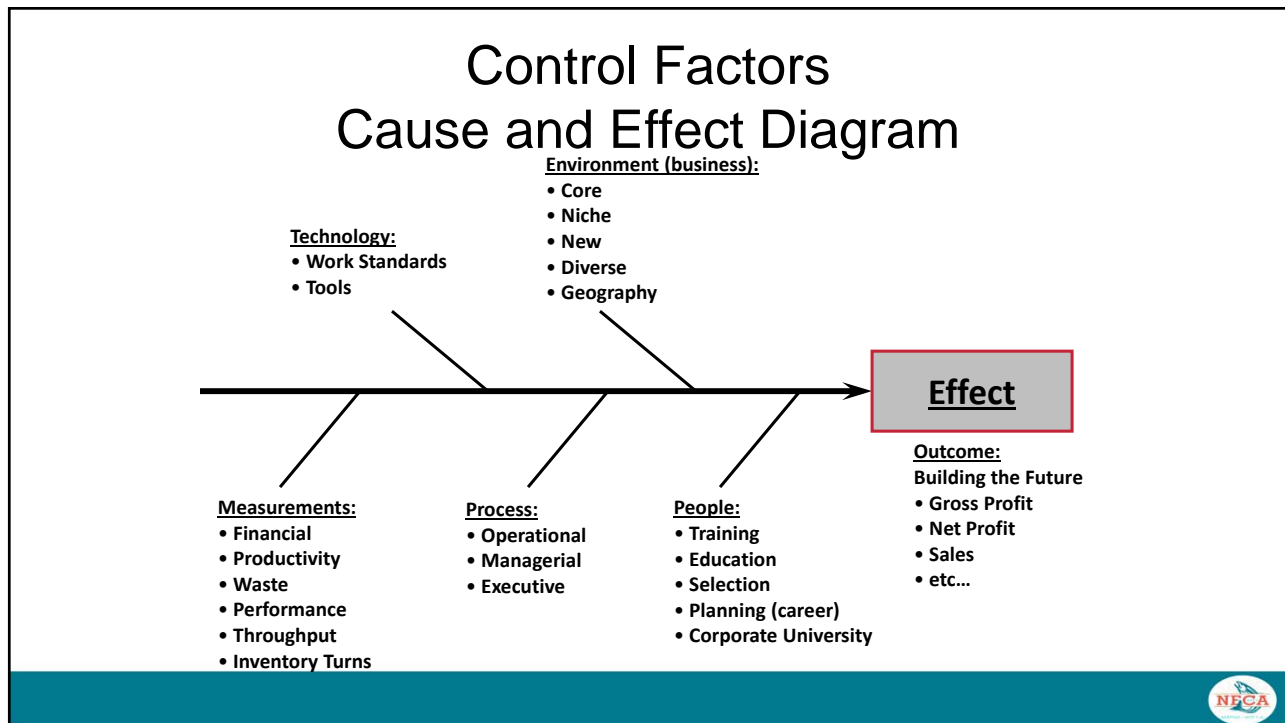
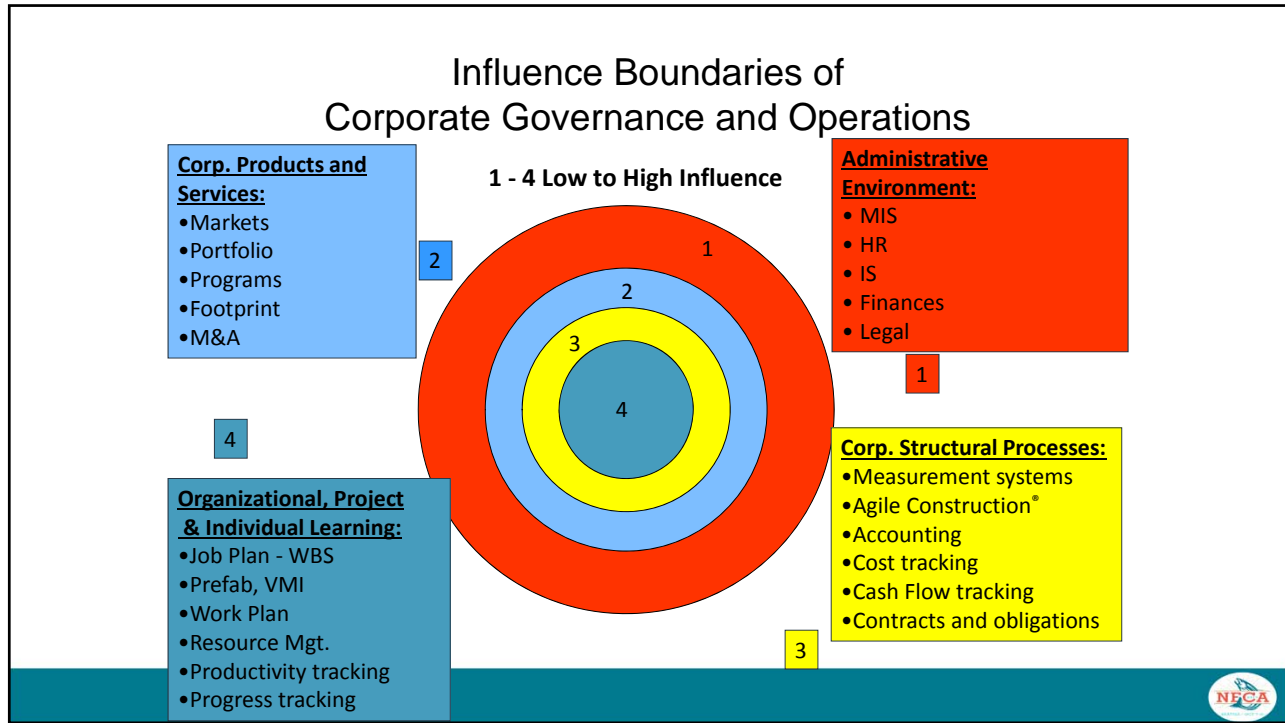


Comparison of Different Revenue Recognition

- Contract Value: \$1,000,000
- Estimated cost: \$800,000
- Estimated gross profit: 20%
- 2 months later, work in progress info:

	Cost -based	JPM-based
JTD Cost	\$200,000	\$200,000
% Complete	Cost-based % Complete = \$200,000 / \$800,000 = 25%	Observed % Complete: 30%
Revenue Earned	\$1,000,000 x 25% = \$250,000	\$1,000,000 x 30% = \$300,000
JTD Gross Profit Margin	$\frac{250,000 - 200,000}{250,000} \times 100\%$ = 20 %	$\frac{300,000 - 200,000}{300,000} \times 100\%$ = 33 %





COMPETING IN THE NEW CONSTRUCTION ENVIRONMENT: A COMPILATION TO LEAD THE WAY



Construction is facing a revolution. No industry will remain untouched by the technological improvements in the communication, processes and tools. The construction industry is no exception.

Written by
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Thank You

Don't forget...

- 9:00 am – 1:00 pm – NECA Show
- 1:15 pm – 2:30 pm – Closing General Session with Ben Saunders
- 7:15 pm – Closing Celebration – Huey Lewis and the News

