



“...one of the smartest decisions a small but growing contractor can make is to hire an outside CPA who specializes in construction accounting.”

NO. 7: LEARN TO USE YOUR CPA IN A WELL-BALANCED WAY!

Editor's Note: *Following is the seventh article in our ten-part series called, "Accounting Software Checkup: Ten Ailments That Can Hinder a Healthy Bottom Line," by our regular columnist, Fred Ode. Each "ailment" will be discussed in detail to help you determine if your seemingly healthy business has an underlying problem.*

Do what you do best, and hire the rest. That's great advice for all entrepreneurs and construction business owners in particular. In fact, one of the smartest decisions a small but growing contractor can make is to hire an outside CPA who specializes in construction accounting.

At many construction companies, however, the relationship between the contractor and CPA is often co-dependent and unhealthy. What are the signs of dysfunction? Here are just a few examples:

- ▶ A CPA handles the company's payroll taxes.
- ▶ A company relies on its CPA for monthly financials.
- ▶ A contractor asks his or her CPA how much money the company is making.

- ▶ The only time a company has access to an over/under billing report is when its CPA prepares it at year-end.
- ▶ A CPA spends hours every month trying to tie out a company's job costing to its general ledger.
- ▶ A CPA is unfamiliar with construction-specific terms such as over/under billing, overhead allocation, gain/fade reports, backlogs and others.

And the reasons for the dysfunction? In many cases, the contractor has limited number knowledge and hands over many financial responsibilities to the CPA. In other cases, the outside accountant has little or no experience within the unique field of construction accounting. And in nearly all cases, the common denominator is an

10 Ailments That Can Hinder a Healthy Bottom Line

1. The Symptoms of Spreadsheet Addiction
2. Tired of Redundant Work and Double Entries?
3. Has Inconsistent Job Cost Reporting Left You Feeling Irritable?
4. Get Relief from Weak Financial Reporting
5. Are Untimely and Inaccurate Billings Causing Financial Distress?
6. Warning: Unmanageable Growth Can Lead to Excess Staffing
- 7. Learn to Use Your CPA in a Well-Balanced Way!**
8. Is Pressure Building Between Accounting and Field Staff?
9. Stop End-User Rejection Before It Grows
10. Technophobia: The Hidden Disease

ineffective accounting system that is incapable of meeting a growing contractor's needs.

As mentioned in other articles within our ten-part "Accounting Software Checkup" series, it's important to look at symptoms outside the software that may indicate a need for change. Nothing impacts the software review process more profoundly than a contractor's CPA and his/her knowledge of the construction industry.

Construction-Focused CPAs Give Best Software Advice

Construction accounting, when compared to other industries, is extremely complex, highly regulated and always changing. For that reason, it's best that contractors hire an industry pro who knows all the nuances of construction accounting, including:

- ▶ The need for over/under billing and gain/fade reporting
- ▶ The advantages/disadvantages of

- various accounting methods
- ▶ How to allocate overhead
- ▶ How to read cash flow statements by job
- ▶ How to handle retainage

With a complete understanding of construction regulations and reporting requirements, as well as the contracting company's unique requirements [e.g., certified payroll, equipment tracking, unit cost reporting, American Institute of Architects (AIA) billing, time and material billing], it is often the experienced construction CPA who recommends that contractors upgrade to an integrated job cost accounting system.

In contrast, a CPA who has only a limited understanding of construction accounting might argue that a generic software system is all a contractor needs. And for some small contractors, that may be very true. Many growing contractors, however,

find that these systems fall short in terms of reporting capabilities, features and performance. Yes, that off-the-shelf software may be easy to use. And yes, the accountant may be very familiar with it. But what about all the job cost data (such as production reporting, certified payroll and overhead allocation) to which the contractor doesn't have access? Is the CPA willing to come in and help the contractor manually prepare those reports? Better yet, is the contractor willing to waste time and resources to produce reports that other systems provide automatically?

The Construction-Specific Advantage

Among other things, construction-experienced CPAs understand the value that construction accounting software can bring to a contractor. They know that good job cost systems, which incorporate both traditional

OUR CREW KNOWS HOW TO GET THE JOB DONE.

pace
AMERICAN

VISIT OUR WEB SITE AT PACEAMERICAN.COM OR CALL 800.247.5767

CHECK OUT THE ENTIRE LINE OF CONSTRUCTION TRAILERS

© 2008 PACE AMERICAN, INC.

CARGOSPORT HAMMER CONQUEST SUMMIT JOURNEY SILVER ARROW

circle 125 on card or go to cbofreeinfo.com

■■■ Accounting Software Checkup

accounting and construction-specific functions, can help contractors better manage their jobs and their business. Construction accounting software also helps the CPA focus on what he or she does best. Most professional accountants do not want to spend their time performing mundane bookkeeping tasks for their clients, especially when sophisticated and user-friendly technology will do the job that generic accounting programs cannot.

As a rule of thumb, the ideal contractor/CPA relationship should involve crossing paths on a quarterly or semiannual basis. Contractors who work with their CPA on a weekly or monthly basis need to take a hard look at their accounting software program, their own involvement in the company's financials, their CPA or all of the above. With the right accounting package, an outside CPA will not be doing a contractor's monthly financials, monthly payroll taxes or

work-in-process reports. Instead of creating reports, a good construction-specific accountant wants access to a contractor's reports. He or she wants to see overhead allocation, job to general ledger tie-outs, gain/fade reports, backlogs, aging reports and other data that will allow him or her to conduct precise audits, prepare accurate tax documents and give expert financial advice.

Choosing the Right Partners

Smart, successful contractors recognize their limitations when it comes to operating a business. They may be the experts in the field, but in other areas—such as accounting, law or insurance—it's always best to enlist the help of qualified professionals. When it comes to the complex and specialized area of construction accounting, CPAs who know and understand the industry make the best business partners.

Likewise, construction-specific

accounting software programs offer what other non-specialized programs cannot. Their ability to provide contractors with detailed job cost reporting allows contractors to better manage their jobs and run their business. And no one knows more about which software technology will best meet a contractor's needs than a construction-experienced CPA. ■

Fred Ode is the CEO/chairman of Foundation Software, developer of construction job cost accounting software called



FOUNDATION for Windows. For further information on FOUNDATION for Windows, visit www.foundationsoft.com. Ode can be reached directly by phone at 800.246.0800 or e-mail fred@foundationsoft.com.

Start Building Your Future *with a Bachelor's Degree in Construction Management*



Courses include:

- Construction Law
- Building Construction Drawing
- Construction Contracts
- Construction Cost Estimating
- Managing a Construction Project
- Construction Layout Planning
- Managing a Construction Business

www.EvergladesUniversity.edu

- Small classes with individualized attention
- Students take one class at a time for more focused learning
- Financial aid is available for those who qualify



Boca Raton Campus (Main Campus) **888.235.8418**
5002 T-REX Avenue, Suite #100, Boca Raton, FL 33431

Sarasota Campus (Branch Campus) **888.785.8689**
6001 Lake Osprey Drive, Suite #110, Sarasota, FL 34240

Orlando Campus (Branch Campus) **866.314.4540**
887 East Altamonte Drive, Altamonte Springs, FL 32701

circle 122 on card or go to cbofreeinfo.com