



WHAT IS CONSTRUCTION ACCOUNTING SOFTWARE?

BY FOUNDATION SOFTWARE

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Construction accounting software is an integrated set of tools contractors use to track financial data to each project they manage. Like general accounting systems, construction-specific applications consist of core accounting modules around a general ledger (G/L); however, they also integrate a critical component for successful construction accounting — job costing.

These applications can also include a number of other tools or modules to help meet construction-specific needs, from reports to specialized billing. That means these can be as extensive as an all-in-one ERP (enterprise resource planning) package or as focused as a best-of-breed construction accounting system. But what ultimately sets them apart is how well designed they are to handle job costing as a fully integrated function.

General-Purpose vs. Construction Accounting Software

What is construction accounting software vs. general-purpose accounting software? In a well-designed accounting system, you rarely touch your general ledger. Most of your day-to-day transactions are done through your accounts receivable (A/R), accounts payable (A/P) and payroll. These revenues and expenses flow into your G/L, which totals all the transactions in your company.

Construction accounting is unique. Unlike most companies, which operate as one big profit



center, each construction job is its own profit center — in other words, each project has its own costs and revenue and payroll. To tell how each individual job is performing, you need more than a solid G/L. You need cash flow analysis and aging reports broken out *by job*, and you need job-level detail.

That's why construction accounting software also uses a special area of the system called [job costing](#). Working alongside and with the G/L, job costing tracks accounting data within each project. Using a [job cost structure](#) with multiple layers, you can also track job costs, labor and quantities complete to specific project activities. For example, you might look at production for framing vs. finishing, or you might isolate materials costs vs. equipment costs.

What Sets Construction Accounting Software Apart?

Just as everything should flow from your core accounting into your G/L, good construction accounting software is designed so that everything flows into both your G/L *and* your job costing. Here's how it works:

- ✔ Payroll enters a timecard with 20 site-prep hours and 16 masonry hours coded to job #140.
- ✔ Purchasing enters a \$500 materials invoice under job #1072 for finishing work.
- ✔ Accounting updates the AIA schedule of billings for job #2300

With a fully integrated construction accounting application, each posted transaction hits the appropriate G/L accounts and updates job costing reports at the same time — no additional entry required in a separate job journal. That might not be the case with software that just offers job costing just as an add-on module. Many construction CPAs recommend fully integrated systems because, by design, job costing and the G/L should always reconcile to the penny.

As a result, fully integrated job cost accounting gives you project cash flow analysis and aging reports by job, which tie out to the G/L, as well as unlimited job reporting like production, estimated vs. actual and WIP.

What Should Construction Accounting Software Feature?

What your construction accounting software should feature will depend largely on your company's needs and goals. First, you should make sure that you really [need new accounting software](#). That process will help you determine what software would fit where your business is and where it's going.



That said, there are at least five features that you should look for in a truly integrated construction accounting application:

- 1. Construction payroll**, which includes print and electronic certified payroll formats for numerous federal and state agencies. Also look for EEO minority compliance reports, multi-state and multi-locality payrolls, automated fringes, and union reporting.
- 2. Construction billing**, beginning with the ability to hold and pay retainage, as well as track retainage on aging reports. You may also need AIA documents, unit-price progress billing forms, time and materials markups, and service billing features.
- 3. Purchasing and subcontract controls** to determine what's been invoiced and what committed costs remain outstanding, plus prevent overbilling on committed costs.
- 4. G/L reports by job**, from income statements to cash flow analysis, automatically generated from your system without spreadsheets or extra work from you.
- 5. Job reports**, like over/under billing, estimated vs. actual and production reporting, just to name a few. The ability to design your own construction reports — without spreadsheets or specialized computer skills — is also a major benefit.

Conclusion

So what is construction accounting software? Construction accounting software is all about taking the tools contractors need for managing jobs effectively and tying them into a strong core of accounting. Fully integrated applications do this in a way that's automated, efficient and secure.

Not sure what you should expect from construction accounting software for your business? [Tour FOUNDATION® construction accounting software](#) to start the conversation with us. Together, we can assess your business needs and help you find the right fit for your company.



Foundation Software is the developer of FOUNDATION® – America's #1 Construction Accounting Software. For 30+ years, we've been dedicated to giving contractors the back office tools they need to manage their job cost accounting and project management, with on-premise, cloud and mobile.

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