



Project Cost to Complete

Summary:

A construction company owner was not able to get accurate information from his project managers on the estimated cost to complete open projects. The project managers did not understand the impact the information they provided to the accounting department had on the company's financial statements.

Challenge:

Project managers are not accountants, even though they need to understand job costing and what the estimated cost to complete is on their open projects. Accountants are not project managers and do not understand the issues facing project managers. The lack of understanding and communication resulted in inaccurate information on estimated cost to complete on all open projects provided by the project managers to the accounting department. This resulted in significant fluctuations in revenue and gross profit on the company's internal financial statements on a monthly basis.

Solution:

A meeting was set up between GBQ, the owner, the project managers and the accounting department. GBQ did a 30 minute presentation that demonstrated the percentage of completion calculation and the importance of the estimated cost to complete number provided by the project managers on the company's financial statements.

This resulted in accurate estimated cost to complete numbers on open projects being provided to the accounting department by the project managers. This allowed the accounting department to complete accurate monthly financial statements. The accurate financial statements gave the company more credibility with their bank and bonding company which allowed them to increase their line of credit and bonding capacity.