



Is Your General and Administrative Expenses Too High?

One of the most frequently asked questions that I receive when I am dealing with my contractor clients is "Is my company's general and administrative expenses too high?" Sounds like a simple question, but there are a lot of variables that must be considered, before that question is answered.

- Are the general and administrative expenses truly general & administrative costs? Indirect job overhead should be allocated to the job.
- Is the equipment or building rent paid to the stockholder reasonable?
- Is the compensation paid to the stockholder reasonable for the work he/she performs?
- Are there other discretionary expenses that are not necessarily business expenses?
- Are you getting value for what you are paying?

Once those items can be segregated, then the question can be answered. The question can be answered by doing any or all of the following

- Comparisons to industry standards
- Comparison to your own Company - What was your general and administrative expense level when your Company was operating at its most efficient level?
- An overall line by line expense analysis to determine if each expense is necessary

A company should constantly challenge their general and administrative expenses to make sure they are getting value for what they are paying. A review of general and administrative expenses should be done regularly, not just when the company is underperforming.

If you need help in analyzing your general and administrative expenses contact your GBQ Partners representative.