



# Practice Management

## Project Management Series: Accounting 101 for Project Managers Questions & Answers Log

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1. **Q:** Again, what software do you recommend? In addition to or instead of Excel? [\[Vincent Montrasio\]](#)  
**A:** Deltek Vision and Navigator, Axium Ajera and Newforma Project Analyzer.
2. **Q:** Are there good online resources for common multipliers you mention in your talk? Industry comparison - architecture, interior design, lawyers, accountants - etc. and recommendations related to proposing and contracting work on a more profitable manner (e.g. sell value, and stop doing hourly w a max). Thanks, perfect timing for me, personally. [\[Larry Fredlund\]](#)  
**A:** PSMJ and ZweigWhite.
3. **Q:** Determining percent complete is somewhat subjective. How can you be sure you are providing valid numbers to accounting? [\[Joseph Kury\]](#)  
**A:** The best approach is to look at several things concurrently including deliverable lists evaluated by percent complete and the project work plan. The Estimate-To-Complete is fundamental to this evaluation; i.e. what do you have left to do, how many hours and labor dollars are needed to finish the project and what profit will it generate.
4. **Q:** Hi! I am in a very small firm with 3 people. I am not the architect/accounting department. I use Account Edge software. Everything is done on a cash basis. How can we transition to an accrual basis? [\[Elizabeth Price\]](#)  
**A:** Cash basis may actually be best for you firm given the size and revenue generated. I am not familiar with Account Edge software so cannot help you with that aspect of this discussion.
5. **Q:** How do you bridge the gap between your project management and your financial system? [\[Yvette Tonacao\]](#)  
**A:** Architects and Project Managers need to be knowledgeable with accounting principles and financial metrics at the firm level.
6. **Q:** How do you feel about using cost to complete to determine percent complete? [\[Thomas Singer\]](#)  
**A:** That can be one element of the analysis although I believe Estimate To Complete in subjective terms (how much effort is required) is the best approach.
7. **Q:** I am on Cash based on our business entity. [\[Susan Welker\]](#)  
**A:** I don't understand the question.
8. **Q:** If we are a sole proprietor, and use quickbooks accounting software, does Quickbooks have a 'setting' that can simply be utilized to set up these types of progress and other reporting shown today? Or would we have to customize that? And has the speaker used Quickbooks or other simple accounting software to run these reports? [\[Alice Sung\]](#)

**A:** I am not familiar with Quickbooks used at this level.

9. **Q:** But what software does she recommend if we don't have a need for a Deltek, etc...? [\[Alice Sung\]](#)

**A:** Deltek Vision and Navigator, Axiom and Newforma Project Analyzer would be good to evaluate for your needs.

10. **Q:** If you do more research-oriented, experimental work that is by its nature tougher to estimate, how do you manage risk? [\[Joe Manganello\]](#)

**A:** Honestly, your contract language and ability to negotiate fees and/or fee types is the best way to manage risk.

11. **Q:** In your example, our "earnings" were a little behind the curve. Is this de-coupled from billing? (Naive question maybe, but are the earnings reports simply for internal use only, NOT for Client eyes? They don't need to see that we're behind the curve right?) [\[Steve Ewoldt\]](#)

**A:** Good question actually. Your internal budgets and reporting are for your eyes only. Your client is interested in what is being billed according to the contract and how much work is complete. Sometimes you can "under-report" in accrued earnings internally to be conservative if things aren't going well and bill at a "different" level but this is a slippery slope. I'd recommend that your reported percent complete internally should not be that different than you billed percent complete but the accrued earning totals could be different as they are based on the internal budget, not the contract.

12. **Q:** Is 2.2 considered a normal average overhead rate for an architectural firm? I realize this is calculated for each firm's unique circumstances. [\[Chad Hamilton\]](#)

**A:** It varies from firm to firm. PSMJ and ZweigWhite have good data on this.

13. **Q:** Is there a different (lower) overhead multiplier for a sole practitioner working alone? [\[Meredith Tepper\]](#)

**A:** Yes as I suspect your overhead is much lower than a larger firm.

14. **Q:** Is there a published average percent of fees for consultants based on project types to be able to forecast better project fees? [\[Maria Weitzman\]](#)

**A:** I am not aware that this is available.

15. **Q:** Almost 100% of our fees are a percentage of construction cost. What advice do you have for controlling all actual project costs on such projects? [\[Maria Weitzman\]](#)

**A:** Be consistent in preparing and monitoring project work plans.

16. **Q:** Is there a sample that can be provided of a typical overhead calculation - i.e. what categories go into making it up and what doesn't? [\[Larry Goldberg\]](#)

**A:** I do not have a sample but PSMJ and ZweigWhite would be good resources.

17. **Q:** Is there small scale accounting software that would permit this sort of tracking and assessment but be appropriate for the sole practitioner? [\[Alexandra Hussey\]](#)

**A:** I am not familiar with one but take a look at Axiom Ajera as I understand small and mid-size firms use it with success.

18. **Q:** On rates, profit & multipliers slide please clarify the 0.8 factor. [\[Gail Whitney Karn\]](#)

**A:** It is in the math. This example uses a target profit of 20% and therefore to "back-in" to the target multiplier you divide the break-even amount by .8 which is 1.0 minus .2; if you were targeting a 15% profit you would divide by .85 which is 1.0 minus .15.

19. **Q:** On your Project Progress Report Slides you suggest that the subjective percent complete assumes you can project billing for fees in multiple phases. I can see how this is possible for expedited project delivery with CD/BN/CA phase services; however, it does not seem this would be permitted for design phase services (PD thru CD's). Please clarify. [\[Rocco Castellano\]](#)  
**A:** First of all we are not looking at billing on Progress Reports, we are looking at earned revenue on the internal budget side. Yes, there is no reason you cannot have overlapping phases during the design activities as fast-track/multiple prime projects would have overlap during all phases.
20. **Q:** Our architects do not like Vision because it is not intuitive. Is there software that works better for creative minds and nimble design based processes? [\[Julie Bronder\]](#)  
**A:** Have you taken a look at Deltek Vision Navigator? Also, Axiom Ajera and Newforma Project Analyzer are worth a look.
21. **Q:** Why do professional service firms use accrual basis? [\[Vivian Volz\]](#)  
**A:** From Slide 11: The accrual method represents a more accurate means to measure the actual project and firm financial performance. The accrual method asks the question "what is the work in place," earns revenue accordingly and is not based on the collection of cash. All firms use the cash basis for cash flow and income tax purposes.
22. **Q:** What accounting software do you recommend for a small architectural practice based in your experience? [\[Luis Gabriel Vargas\]](#)  
**A:** I understand that many small and mid-size firms like Axiom Ajera.
23. **Q:** What are some of the primary differences in the processes you're covered between Construction Management firms and A/E firms? [\[Keith Crouch\]](#)  
**A:** Probably the same principles are used but construction organizations certainly have a different overhead than A/E firms.
24. **Q:** What are the top enterprise software tools? We currently are considering shifting from Billquick to Axiom, how do handle transitions in software and process? [\[Gavin Myers\]](#)  
**A:** I always evaluate software based on how the project management/project work planning works at the project level and how easy it is for PM's to report progress and billing information to accounting. Most accountants feel comfortable with the "back-of-house" software from all the vendors so pick one that the PM's will use. The new vendors including Axiom would be very helpful in the transition.
25. **Q:** What be this smallest cost Project Management could be used without being too cumbersome in the project delivery process? [\[Thomas Beverly\]](#)  
**A:** I don't understand the question.
26. **Q:** What can you do in markets where some companies do not have good accounting practices and lower their fees too much? [\[Angel Ramos\]](#)  
**A:** Do better work and provide better client service.
27. **Q:** When talking to Staff and PM's, is it more effective talk budget dollars or budget hours (knowing they're related). [\[Gary Bernardo\]](#)  
**A:** I do both but I know firms that manage by hours only. Staff normally changes during a project and rates can be different depending on availability.
28. **Q:** With references to "accounting department" - is there a lower limit to where all of this is effective for smaller firms? [\[Thomas Bank\]](#)  
**A:** I don't understand the question

29. **Q:** I think the CMM and PSMJ answered my earlier question - that you're probably at a PSMJ level of four or higher before you're getting into this. [\[Thomas Bank\]](#)  
**A:** Yes, I would agree and you're likely in a larger firm at this stage too.

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