

Why Good Accounting for Builders and Subcontractors?

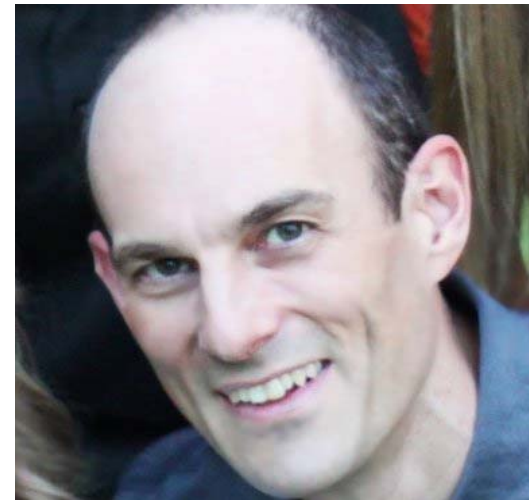


David Evans, Presenter

For Homebuilders Association
CE course 2017

Dave Evans, CPA

- 21 years experience in accounting, including real estate and construction.
- With NowCFO since 2015.
- Provides greater visibility to help make better decisions.



What we'll talk about:



- Balance Sheet, Cash Flow, and Profit or Loss and what they mean
- Profit or Loss by Unit
- Projecting the Future
- Questions?

Business accounting is like a home.



← The Foundation
(Balance Sheet)
has to be solid.

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But the rest of
the Home
(Cash Flow/
Profit or Loss)
is where you
live!

The Foundation
(Balance Sheet)
has to be solid.

Your Balance Sheet should show:

- ASSETS = Things you own or money coming to you:
 - Cash
 - Accounts Receivable
 - Equipment
 - Construction in Progress
- LIABILITIES = Money you owe to others:
 - Accounts or Loans Payable
 - Draws you have not yet earned
- EQUITY = What you own (free and clear) if you paid everything you owe



A snapshot as of a point in time.

Your Cash Flow:

- CASH FROM CUSTOMERS
- CASH FROM LOANS
- minus
- CASH PAID TO SUPPLIERS
- CASH PAID TO EMPLOYEES
- CASH PAID TO TAX AUTHORITIES
- CASH PAID FOR OTHER OPERATING EXPENSES
- CASH PAID TO LENDERS
- equals
- INCREASE OR DECREASE IN CASH



The flow of cash during a period of time.

Your Profit/Loss should show:

- REVENUES = What you earned during a period of time:
 - Amounts Billed to Customers, minus
- COST OF REVENUES = What it cost you to earn money from customers
 - Cost of Materials, Payroll, Subs, equals
- GROSS PROFIT = Profit on each unit sold minus
- G&A EXPENSES = General, Administrative, or selling expenses that you had to spend regardless of the amount of revenues.
 - equals
- NET PROFIT OR LOSS ←



Profit or loss during a period of time, when earned, not when received.

Profit or Loss by Unit, example:



	Unit 1	Unit 2	TOTAL	Profit %
Income (or Revenues)				
Construction Income	11,120	166,322	177,442	
Total Income	11,120	166,322	177,442	
Cost of Goods Sold				
Construction Costs	11,621	137,806	149,427	
Total Cost of Goods Sold	11,621	137,806	149,427	
Gross Profit	-501	28,516	28,015	15.8% of income

Does your accounting system break out revenues and costs by unit?

- If you need more profit, plan for it!
- Get accurate financial statements (past).
- How much do you expect in the future: revenues, costs to earn those, and G&A Expenses?
- Consider timing of cash flows in and out. Make profits while not running out of cash!

Questions?



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