



## THE VALUE-ADDED BENEFITS OF UTILIZING THE RIGHT ACCOUNTING SOFTWARE PACKAGE



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**A**ccording to Dun & Bradstreet, only 26% of newly established construction companies will be in business ten years from now. Having the right construction accounting software for your business will provide the financial data needed to successfully manage operations and increase the probability of your success.

In order for your business to remain profitable you need a clear understanding of how each job affects your bottom line. Traditional accounting packages can provide you with a profit and loss report. However, this report will only give you a snapshot of your operations. It will not provide specific information such as whether or not you are losing money on subcontractors, materials, or laborers, or what phase of a project is over, or even under budget. The right construction accounting software will give you more detailed information for analysis, as well as real time cost reports. One of the biggest benefits of switching to construction related software is that it will integrate job costing and reporting.

The most profitable construction companies know the power of these reports and they are utilizing construction accounting software to profitably manage their company. One of the most valuable of these reports is the over/under billing report, commonly known as the work-in-process schedule. Although many contractors only look at this report once a year, it provides various schedules for analysis including estimate and change order, accounts payable, labor and billing reports. Collecting this information at year end for your accountant to your prepare financial statements could take hours or even weeks to accumulate manually. Construction accounting software can make this information readily available.

The over/under billing report gives the construction owner an opportunity to address serious issues before they occur. A look at this report would allow the owner to determine if jobs are over-billed, which is inflating profits, or under-billed, which could cause cash flow problems. The over/under billing report is just one of many reports that an owner should analyze on a regular basis to manage and monitor their company's profitability. With construction software you can start with a detail budget, and later compare your actual costs against original estimates. This type of analysis will identify unexpected material, labor and other cost overruns that affect your profitability. Other areas that your construction accounting software can help you manage are American Institute of Architects (AIA) billings, change-orders, payroll, overhead allocations, production and job cash flow, just to name a few. Construction accounting software can easily track and report on these functions.

Moving from a manual system or even a small business bookkeeping package to an accounting software package that was specifically designed to meet the unique needs of the construction industry will be an investment of time and money in your company's future. According to Dan Lehman, the Director of Project Management for Maxwell Systems, a leading provider of construction related software, "in order to have a successful software transition you need to have a clear view of the road ahead and not look in the rear view mirror. Once a decision is made to implement a new software package you need to be prepared to commit anywhere from 30–120 days for full implementation. Contractors need to have a realistic timetable for software implementation. Failure to do so is one of the main reasons why construction accounting software programs fail." In a recent study, more than 90 percent of implementation failures occur due to human and organizational issues. Learning a new software package takes time and patience. You will be successful if you embrace the technology and not compare your new software with your old processes.

Choosing the right system for your construction business depends on data that you would like to receive from that system, as well as why and how you intend to use that data. Frequently the decision on which accounting software package to purchase is made by the wrong person and for the wrong reasons. Contractors with little accounting experience choose software based on a friend's recommendation or a high pressure sales pitch with little or no consideration to their real needs or input from a construction accounting professional. An analysis of your unique needs is essential to determine which accounting software package would be best for your business. For example the top of the line system can provide you with equipment costing and prevailing wage reports, but if you would not use or benefit from having that information you might decide on a solution with less functionality at a lower cost.

There are many construction related software providers on the market and their product offerings vary greatly. Some of these differences are significant but they may not be critical for your business. The key is to match functionality to your needs. Companies like Maxwell Systems provide various packages for everyone from the small closely-owned business, to the multimillion dollar construction corporation. Some points you should consider are:

- If the system is user friendly
- The system's security features
- How the software will integrate with your current processes
- If the software will seamlessly interface with other required systems
- If the software requires a specific technical infrastructure
- If you will have to upgrade servers and/or other hardware
- The provider's experience in the construction industry
- The provider's track record with introducing new enhancements and modules

As an owner of a construction company you should contact your construction accountant to determine your current and future needs. When evaluating software there are certain issues that must be addressed beyond the basic accounting functions. Many companies have unique needs specific to their industry sector that need to be taken into consideration. For example, a

service orientated contractor might also have a need for service dispatch, warranty and maintenance reports while larger contractors might have a need to track equipment usage by jobs.

With the right accounting software package in place the contractor can increase productivity which can correlate to increased profitability. While the cost in terms of dollars and time might be substantial, the return you will realize from this investment will be substantial if you use the wealth of information the system will provide. This investment could very well put you in the same category as the nearly 26% of the construction companies that succeed beyond ten years.

As a Master Sponsor of the New Jersey Builders Association and one of the leading accounting and consulting firms for the construction industry, Cowan, Guteski & Co., P.A. understands the importance of its role in your success. Contact Bill McNamara, CPA, CCIFP<sup>®</sup>, Shareholder-in-Charge of the Construction Services Group at 732-349-6880 extension 116 or [bmcnamara@cowanguteski.com](mailto:bmcnamara@cowanguteski.com).

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