

Project Accounting - The Basics

A guide to comprehensive project accounting
and ensuring project profitability.



OVERVIEW

Project accounting is a must for professional services firms. Why is it so critical? What first comes to mind is the ability to understand profitability and to see what has been charged against the project, but there is so much more that will be explored in this white paper.

WORK BREAKDOWN STRUCTURE (WBS)

Projects are typically broken down into structures known as a work breakdown structure (WBS). The WBS is the backbone of project accounting. It is a hierarchical representation of the work to be accomplished, a way to break the work down into manageable pieces to be completed. The WBS is a common framework for planning and control and it should be representative of the Statement of Work (SOW) or scope document. The WBS can be based on product, service, or phase depending on the nature of the project. Using a WBS provides the following benefits:

- Provides a visual representation of the project
- Provides the structure for scheduling, costing, and reporting on the project
- Gives a repeatable backbone for future projects
- Helps with scope management—comprehension in initiation phase and minimizes scope creep in execution

The project accounting system will have project data at the WBS or task level but also summary information to help manage all pieces of the project.

A project-based ERP system is made up of project (WBS) structures, general ledger accounts, and departments. Reports and information can be sliced and diced, which will benefit all stakeholders.

WHAT YOUR PROJECT ACCOUNTING SHOULD INCLUDE

Customer Relationship Management

Customer Relationship Management (CRM) is a discipline that manages your company's interaction with current and potential customers. CRM has become a priority to improve overall relationships with customers, specifically to focus on customer retention (stickiness) and to drive sales growth.

Opportunity Management

Opportunity Management - An opportunity pipeline for a project-based business is the visualization and/or measurement of contracts or projects that you will attempt to win over time. Visibility into the pipeline gives vital information on needed resources, enterprise growth, profitability, and revenue trajectory.

Resource Management

Project stakeholders can visually see the availability, skills, utilization, and time phasing of the resources. This level of visibility and control will help maximize overall performance and profitability.

Budgeting

A budget represents what the business believes is achievable and what it intends to accomplish. The project establishes a budget that becomes the baseline for performance management. Visibility into budget vs. actuals is important project manager information.

Forecasting

Throughout the execution of the project plans may change, the resources may change too, and it is the responsibility of the project manager to revise the work to best accomplish the end goal. How much is it going to cost and when will the project finish? The forecast will answer that question.

Earned Value

Earned Value Management (EVM) is a project management best practice that flows directly with your established PM policies. The basics of EVM are plan, execute, assess performance, and monitor the project. Project managers can assess completion of the work at the task level and by doing this will get a host of metrics on current and future performance.

Revenue Recognition

Revenue is the amount of income the organization is making. It is one of the most important metrics/KPIs that a business/project monitors. Project Managers are responsible for achieving revenue goals, so having the ability to track revenue real-time is a huge benefit.

Time & Expense

Time collection systems are used by every employee in the organization. They collect hours for tracking project effort, and are supporting systems for payroll, invoicing, project accounting, chargeback, and job cost accounting. Expense systems track employee expenses to a project. Integration of time and expense directly to the project keeps project managers up to date on resources and current costs.

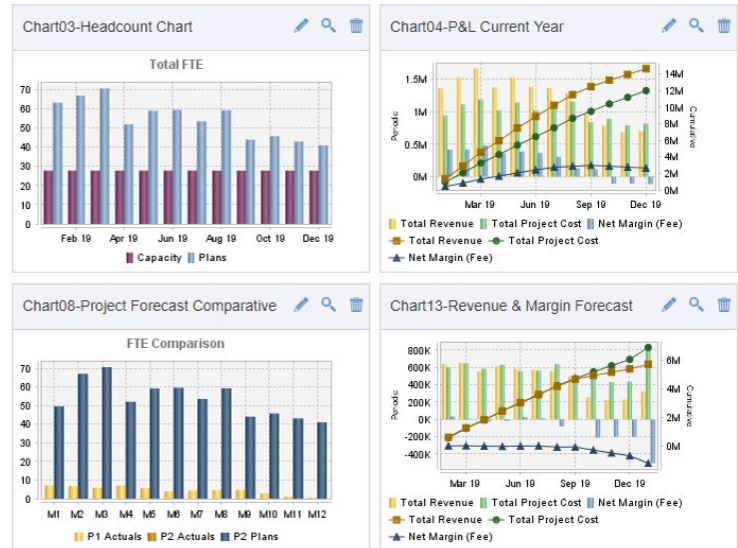
Billing

As professional services companies, it is critical to be able to automate and shorten the bid-to-bill lifecycle. Professional services organizations need revenue recognition and billing to be completely in lock step. The concept of billing and invoicing does not need much explanation as we deal with bills continually in our daily lives. Billings/Invoices typically are a form that contains information like name, address, payment terms, a unique id, elements of cost, direct costs, and indirect costs applied.

Real-Time KPIs and Reporting

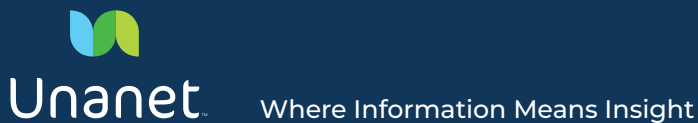
Real-time information is key to managing the day-to-day operations. Project team members need information throughout the life of the project. For instance, project status reports, EVM, time and expense, financial, and resource reports are a must. Dashboards are eye candy for all levels within the organization. They are a real-time visual representation of the role-based business information needed to manage the business. PMs should be able to quickly see with colors and graphs where they are against plan. Key Performance Indices (KPIs) provide actionable insights to help execute projects.

Being able to see all this information in one place is a manager's dream. The organization will know where they are through every step of the project lifecycle and will be able to course correct if/and when problems arise. Plan, Execute, Monitor, Invoice, and Account in one integrated tool will help you become more profitable, win more business, delight your customers, and provide a system that your employees will like to use and can depend on. Unanet offers all of this in one single solution. Our ERP software can help you manage your projects, people, and financials to cut back on delayed projects, lost revenue, and stressed-out staff.



See how Unanet can transform your business firsthand. [Request a demo today.](#)

PLAN	EXECUTE	MONITOR	INVOICE	ACCOUNT
- CRM & Pipeline Mgmt - Purchase Requisition - Budgeting & Revenue Forecasting - Resource Scheduling - Skills Mgmt - Scenario Planning - Pricing	- Timesheets - Expense Reports & Per Diems - Purchase Orders - Approvals - Collaboration and Notes - Contract Mgmt	- Real-Time Dashboards & KPIs - Project Status, Utilization, & Burn Rate - Open Commitments - Gross & Net Margin % Complete & EVM - Backlog	- GAAP Compliance - Billing and Invoicing - T&M, FP, and CP - Revenue Recognition – As Worked, % Complete & Schedules	- General Ledger - Accounts Payable - Accounts Receivable - Cost Pools - Indirect Rates - PO Match: 2-Way or 3-Way Match
Integrates with 3 rd Party Payroll Providers				



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