

Financial Management Systems

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The primary function of Financial Management Systems is to provide firms with numerous effective financial and project reports and supporting techniques to enhance the achievement of a firm's long-term financial goals.

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Introduction

To ensure the financial success of any firm with at least one or more employees, it is essential to have a comprehensive Financial Management System that includes a number of types of reports and resources. These reports and resources will facilitate a firm leader's ability to manage the financial operations of the firm. Every firm leader needs to understand and be responsible for this process of management. This is one responsibility that is not to be delegated to anyone lacking this understanding and knowledge.

The reports and resources providing basic information as a part of this financial system include: the Chart of Accounts, the Annual Budget, the Profit Plan, Daily Timesheets, Project Contracts, Financial Management Reports, Key Financial Performance Indicators and Project Reports.

Chart of Accounts

The development of a Chart of Accounts is the foundation of every accounting system and its means of organizing a firm's financial data. The Chart of Accounts, reflecting the Mattox Format, represents sets of properly organized, multi-tiered, interrelated, numeric codes and/or account numbers. Each one serves as the repository and record for every dollar received, paid and billed by a firm as shown on a Profit-Loss Statement and Balance Sheet.

[Margin Note: See "Financial Management Overview" article \(Wintner\) for a description of the Mattox system](#)

The hierarchy of the numeric codes and/or account numbers starts with a 'major' code or account and then is further defined by a series of sub-codes or accounts. Most comprehensive A-E accounting software systems provide for a four-digit numeric code and/or account number. Each account number and designation will match a firm's general ledger listing of the income, expense and asset accounts. It is recommended to seek the guidance of an outside consultant (management, software representative and accounting) to assist with establishing these numeric codes and/or account numbers, especially if applying the Mattox Format.

A 'Master' Chart of Accounts is developed for the Profit-Loss Statement and the Balance Sheet. The accounting software will provide a means for switching between the Cash-Basis and Accrual-Basis reports for these two documents and their respective numeric codes and/or account numbers.

type="other"

Mattox Format for the Chart of Accounts

The following is a sample of the structure for the Chart of Accounts in the Mattox Format for the Accrual-Basis Profit-Loss Statement and the Balance Sheet. Only major headings are shown in most accounts, for amore detailed information see *Financial Management for Design Professionals: The Path to Profitability*, (Wintner & Tardif, Kaplan AEC Education, 2006)

Chart of Accounts

Account ID	Account Description	Account Group	Notes
4100	Fees Billed	Fees Billed	Positive Dollars
4110	Architect Fees Billed	Fees Billed	

4120	Consultants Fees Billed	Fees Billed	
4130	Markup on Consultant Fees Billed	Fees Billed	
4150	Reimbursable Expenses Billed	Reimbursable Expenses Billed	Positive Dollars
4170	Outside Consultant's Fee Invoices Rec'd	Outside Consultants	Negative Dollars
4190	Project Related Expenses (Reimb.+ Non-R.)	Project Related Expense	Negative Dollars
A.	TOTAL NET OPERATING REVENUE (NOR)		Baseline at 100%
5110	Direct Labor: Principal	Direct Labor Expense	
5120	Direct Labor: Professional-Technical	Direct Labor Expense	
5130	Direct Labor: Administrative	Direct Labor Expense	
5140	Direct Labor: Contract	Direct Labor Expense	
B.	TOTAL DIRECT LABOR EXPENSE (TDL)		
6110	Indirect Labor: Principal	Indirect Labor Expense	
6120	Indirect Labor: Professional / Technical	Indirect Labor Expense	
6130	Indirect Labor: Administrative	Indirect Labor Expense	
6140	Indirect Labor: Temp.	Indirect Labor Expense	
6200	Payroll Taxes & Non-Discretionary Benefits	Payroll Taxes & Non-Disc. Benefits	
6300	Discretionary Benefits & Prof. Development	Disc. Benefits & Professional Dev.	
6400	Office Lease & Facility Expense	Lease & Facility Expense	
6500	General Office Expenses	General Office Expenses	
6600	Business Insurance	Business Insurance	
6700	Auto Expense	Auto Expense	
6800	Bank Charges	Bank Charges	
6900	Professional Services	Professional Services	
7100	Depreciation / Amortization Expense	Depreciation / Amortization Expense	
7300	Tax Expense	Tax Expense	
7400	Marketing & Business Development	Marketing & Business Development	
C.	TOTAL INDIRECT EXPENSES		
D.	TOTAL EXPENSES (Direct + Indirect) (B+C)		

E.	PROFIT or <LOSS> FROM OPERATIONS (A-D)		
8100	Miscellaneous Revenue	Misc Revenue	
8500	Miscellaneous <Expense>	Misc. <Expense>	
F.	TOTAL MISC. REVENUE/<EXPENSE>		
G.	NET PROFIT (Before Distributions & Taxes) (E-F)		<i>The "Bottom Line"</i>
9110	Principal: Accrued Bonus	Distributions	
9120	Professional -Technical: Accrued Bonus	Distributions	
9130	Administrative: Accrued Bonus	Distributions	
9140	Temporary Accrued Bonus	Distributions	
9210	Principal: Paid Bonus/Draw	Distributions	
9220	Professional-Technical: Paid Bonus	Distributions	
9230	Administrative: Paid Bonus	Distributions	
9240	Temporary Paid Bonus	Distributions	
H.	TOTAL <DISTRIBUTIONS>		
I.	CURRENT EARNINGS (G-H)		
Note: Only Account Descriptions in bold will print on the P-L Statement			

Annual Budget

The Chart of Accounts and the Annual Budget are interrelated resources. Each Chart of Accounts numeric code and/or account number represents a specific type of financial data that corresponds to a specific Annual Budget line item.

[\[Eds: margin pointer to Developing the Annual Budget \(Wintner\)\]](#)

Profit Plan

The ‘Bottom-Line’ of the Accrual-Basis Profit-Loss Statement is the line item identified as ‘Net Profit’. In order to arrive at a desired Net Profit at the end of each year, it would be a sound business decision to plan in advance for that to happen. The profit planning process entails a number of significant components, each one having an impact on establishing a certain number of parameters to be achieved. The achievement of each of these parameters helps to enhance the chances that a year-end, targeted Net Profit would be realized.

[\[Eds: margin pointer to Profit Planning \(Wintner\)\]](#)

Recording Direct and Indirect Time

Are timesheets generally treated as though they are one of the most important financial resources of every professional design firm? Sadly, the answer is a resounding “No”! Yet, this is the only ‘commodity’ firms ‘sell’ to their clients. Unfortunately, timesheets are seen by many employees as some form of diabolical, arbitrary ritual created by their bosses. At the same time principals are often the worst offenders in terms of not filling out their timesheets in a timely and accurate manner.

Clearly, few firm leaders and staff recognize that the timesheet is in fact one of the most important financial resources of every professional design firm. Here are some facts that confirm this assertion.

The time reflected on a timesheet becomes the single most significant component of the accounting data-entry process. This is true because the hours charged to projects become the basis for the decision of how much to invoice for each project and subsequently, impact a project’s eventual profit or loss. The amount invoiced and payment received is the life-blood of every firm. Additionally, timesheets allow for tracking of effort spent on each project, which is critical to comparing project progress to the project budget, and to allow timely adjustments, as appropriate.

Time spent on every project should be aligned with the allocated number of hours budgeted for each phase and task. Without timely, accurately completed timesheets, there is a real possibility of a disparity between the time spent and the dollars billed. Ideally, the fee amount value of each project invoice will be determined by the hours spent on each

project each month. With untimely, inaccurate timesheets, there is a potential for a reduction of the targeted project profit.

On a firm-wide basis, the total hours charged to projects is the denominator used in the calculation of a firm's Net Multiplier and Overhead Rate. The calculated Overhead Rate can then be extended to reflect the corresponding Break-Even Rate, both of which are essential elements of developing hourly Break-Even rates for every employee. Further, this data provides historical information for project fee budgets during the fee-setting process, in response to a client's Request For Proposal (RFP).

[\[Eds: margin pointer to Financial Management Overview \(Wintner\)\]](#)

If the time entered on a timesheet is at best just an approximation, then the data entry process compounds the problem by the incorporation of this unfortunate estimate of hours in the development of project, accounting and financial management reports.

The resulting totals and indicators will then provide misleading, erroneous information to the project managers and firm leaders. This is further compounded and harmful to the financial well-being of a firm when multiples of these guessed-at hours charged to projects on numerous timesheets become the basis of future overhead rates used in the fee-setting process for new projects. Measured over multiple active projects for a firm, it is easy to comprehend the increased magnitude of the problem and its potentially negative impact on each project and overall a firm's annual profitability.

Obviously, none of this is done with malice, just a lack of understanding about the true nature of what a timesheet represents in the total process of the financial management of a firm. With less than an hour's worth of training, every member of the firm can develop a better daily timesheet completion discipline. This would go a long way to enhancing a firm's efficiency, effectiveness and profitability. These kinds of 'savings' in lost revenue could mean the difference of a year-end Net Profit vs. a Net Loss. As such, it might also mean the difference in whether or not there will be a distribution of year-end bonuses and or salary increases. All this exposure to undesirable outcomes results from a lack of understanding about the true nature of a timesheet and its critical role in every professional design firm's long-term success.

The following are some simple techniques to adopt as a discipline for the completion of a timely and accurate timesheet.

- Develop a personal log and record the time spent before you start a different task, or phase.

- Record time in not less than 15 minute increments.
- Twice a day, enter on the timesheet the time spent in the morning, just before taking a lunch break and again in the afternoon (evening), just before leaving the office for the day.
- All authorized overtime hours spent are to be recorded. The local/state agency **that governs the state labor standards** and the terms of the project contract will be the determining factors in the hours having any cost to the project. Regardless of any cost impact, the hours must be reflected on the project reports. In any scenario, overtime hours do not incur the cost of any overhead burden. The overhead burden is only applied to the first 40 hours/week. Therefore, any overtime to be charged to a client, in accordance with the **state labor standards** and the project contract, will likely be at a lower hourly rate than the regular hourly billing rate, **due to the absence of the overhead cost burden.**

Financial Reports

The focus of this portion of the article will be an overview of the two most common financial reports: the Profit-Loss Statement and the Balance Sheet. For the purposes of this discussion, the reference to the Profit-Loss Statement and the Balance Sheet is to the Accrual-Basis report for each.

The Profit-Loss Statement and the Balance Sheet reports are developed at least once on a monthly basis. Each report provides firm leaders with different types of financial information for uniquely different purposes.

The P-L reflects the results of a firm's operations in terms of its Revenue, Direct Labor, Indirect Labor, Indirect Expenses and Net Profit for a given accounting period (generally the current month and the year-to-date).

The Balance Sheet provides a description of a firm's current financial condition for any given accounting period, even as short as a single day, of its Assets, Liabilities and Equity.

In the review of each report there are specific line items that are more significant than others and will provide tell-tale trends of how the firm is doing financially. Together, these two reports describe a complete picture of a firm's current financial status.

Profit-Loss Statement (P-L)

The P-L is the financial management report that will provide firm leaders with seven of the eleven total Key Financial Performance Indicators.

On the P-L, the four most significant line items are

- Net Operating Revenue (dollars available for supporting daily operations and the Baseline 100% value of the rest of every line item in the report),
- Total Direct Labor, as a percentage of Net Operating Revenue
- Total Expenses
- Net Profit (before distributions and tax and referred to as the 'Bottom Line')

Developing an Annual Budget for these line items and their respective sub-categories is advisable.

The Key Performance Indicators Backgrounder article explains what to look for and how to interpret the implications of the developing trends for each of these line items. This understanding is essential to making sound business decisions to off-set negative trends and to repeat activities that produce positive trends.

[\[margin pointer: For more information on financial ratios useful to financial management see "Key Financial Indicators." \(Wintner\)\]](#)

'Executive Summary' format

The P-L statement that is provided to a firm leader needs to incorporate the same three 'C's' which are taught regarding the quality of construction documents: information that is Clear, Concise, Correct for all the same reasons and then some.

A firm leader's time is of the highest value to the firm and its clients and therefore needs to be spent doing only the things only they can do. As stated early on in this section, the management of a firm's financial operations should not be delegated to just anyone. The reading, review and interpretation of the P-L are the first and most important aspects of managing a firm's financial operations.

To make this process as effective and efficient as possible for the firm leaders it is essential to create a single-page, 'Executive Summary' of the P-L. This condensed version includes every part of the full P-L, but not

in detail. The Chart of Accounts numeric codes or account names should be condensed into a limited number of relevant line items for each of the four component sections of the statement. This will allow for the report to fit on just one page.

Mattox Format P-L Statement

The Mattox Format for the P-L Statement includes the following four vertical component (row) sections:

- Revenue,
- Direct Labor (Salary) Expense
- Indirect Expenses
- Miscellaneous Revenue and Expense

Each of these four components has a group of line items that serve as a major description for its respective component. Each of these line items has in-turn a limited number of sub-category line items for each description. The sub-category line items are up to the discretion of the firm leader(s), who can decide what line items they want to review for each major category. Awareness is required to maintain the single page format. In the event that any sub-category line item comes into question, all of the supporting financial details are available from the firm's accounting system.

The Mattox Format also includes six columns for component sections:

- Current Month
- Percent for Current Month
- Year-to-Date (YTD)
- Percent for YTD
- YTD Annual Budget
- Percent for YTD Annual Budget.

Each of these six columns reveals a specific detail about the firm's current and cumulative (YTD) quantitative data in dollars and percentages.

Together, these horizontal and vertical components provide a very comprehensive summary of the firm's financial activity for the current month, the year-to-date and a comparison to the corresponding year-to-date Annual Budget.

type="other"

Mattox Format for the Profit-Loss Statement

The following is a sample of the Profit-Loss Statement in the Mattox Format.

Sample/Example - Accrual Basis, Actuals							
	PROFIT - LOSS STATEMENT	CURRENT MONTH	%	YEAR-TO- DATE	%	YEAR-TO- DATE BUDGET	%
	REVENUE						
	Fees Billed (Incl Consultants + Mark-Up)	65,490	124.8	796,559	128.0	812,464	128.9
	Reimbursable Billed (Incl. Mark-up)	7,362	14.0	96,653	15.5	98,843	15.68
	Outside Consultants	-12,221	(23.3)	-161,118	(25.9)	-163,857	(26.0)
	Project Related Expenses (Non-reimb. Exp.+ Reimb.Exp.)	-8,146	(15.5)	-109,887	(17.7)	-117,031	(18.6)
A	NET OPERATING REVENUE	52,485	100.0	622,207	100.0	630,419	100.0
	DIRECT LABOR (SALARY) EXPENSE						
	Direct Labor - Principal(s)	8,750	16.7	103,455	16.6	105,000	16.7
	Direct Labor - Prof.,Tech. Staff	6,596	12.7	80,226	12.9	79,155	12.6
	Direct Labor - Admin. Staff	558	1.1	7,348	1.2	8,575	1.3
	Direct Labor - Contract	750	1.4	9,885	1.6	10,000	1.6
B	TOTAL DIRECT LABOR (SALARY) EXPENSE	16,654	31.73	200,914	32.29	202,730	32.16
	INDIRECT EXPENSES						
	Admin. Labor - Principal(s)	3,158	6.0	37,893	6.1	36,348	5.8
	Admin. Labor - Prof./Tech. Staff	1,208	2.3	15,549	2.5	15,549	2.5
	Admin. Labor - Admin. Staff	1,308	2.5	14,639	2.4	14,483	2.3
	Admin Labor - Temporary Help	0	0.00	453	0.1	375	0.1
	Paid Time Off (Total or by Staff Type) *	1,324	2.5	15,890	2.6	15,890	2.5
	Payroll Benefits (FICA/Medcare, Med.Life Ins, etc.)	5,740	10.9	68,877	11.1	67,250	10.7
	Discretionary Benefits	1,395	2.7	4,355	0.7	4,000	0.6
	Office Lease	2,708	5.2	32,500	5.2	32,500	5.2
	Office Expense	2,620	5.0	31,443	5.1	33,275	5.3
	Prof. Liability/General Office Insurance	990	1.89	11,875	1.91	11,875	1.88
	Interest Expense	730	1.4	8,755	1.4	9,850	1.6
	Professional Business Consultants	990	1.89	11,884	1.91	12,675	2.01

	Taxes-Local Property/Franchise	769	1.5	9,225	1.5	9,445	1.5
	Depreciation/ Amortization	1,019	1.9	12,225	2.0	12,080	1.9
	Marketing/Business Development	2,723	5.2	32,678	5.3	28,500	4.5
C	TOTAL INDIRECT EXPENSES	26,682	50.8	308,241	49.5	304,095	48.2
D	TOTAL EXPENSES (B+C)	43,336	82.6	509,155	81.8	506,825	80.4
E	PROFIT – LOSS (A-D)	9,149	17.4	113,052	18.2	123,594	19.6
	MISC. REVENUE / EXPENSE						
	MISCELLANEOUS REVENUE						
	Interest Earned	613	1.2	3,675	0.6	3,500	0.6
	Gain on Assets	0	0.0	0	0.0	0	0.0
	Retained Bid Deposits	0	0.0	750	0.1	0	0.00
	TOTAL MISCELLANEOUS REVENUE	613	1.2	4,425	0.7	3,500	0.6
	MISCELLANEOUS EXPENSE						
	Bad Debt (Write-Off) Allowance	0	0.0	-3,115	(0.5)	-3,200	(0.5)
	Loss on Assets	0	0.0	0	0.0	0	0.0
	Miscellaneous (Expense)	-650	(1.2)	-5,545	(0.9)	-3,112	(0.5)
	TOTAL MISCELLANEOUS EXPENSE	-650	(1.2)	-8,660	(1.4)	-6,312	(1.0)
F	NET TOTAL MISC. REVENUE / EXPENSE	-37	(0.1)	-4,235	(0.9)	-2,812	(0.5)
G	NET PROFIT/(LOSS) BEFORE TAX** & DISTRIBUTIONS (E+F)	9,112	17.4	108,817	17.5	120,782	19.2
	DISTRIBUTIONS						
	Principal: Accrued Bonus	6,665	12.70	85,000	13.66	90,000	14.28
	Professional Technical: Accrued Bonus	1,250	2.38	19,000	3.05	20,000	3.17
	Administrative: Accrued Bonus	250	0.48	3,500	0.56	4,000	0.63
	Temporary: Accrued Bonus	0	0.00	0	0.00	0	0.00
	TOTAL ACCRUED BONUS	8,165	15.56	107,500	17.28	114,000	18.08
	Principal: Paid Bonus & Draws	-5,000	(9.53)	-75,000	(12.05)	-90,000	(14.28)
	Professional Technical: Paid Bonus	-1,250	(2.38)	-19,000	(3.05)	-20,000	(3.17)
	Administrative: Paid Bonus	-250	(0.48)	-3,500	(0.56)	-4,000	(0.63)
	Temporary: Paid Bonus	0	0.00	0	0.00	0	0.00
H	TOTAL DISTRIBUTIONS	-6,500	(12.4)	-97,500	(15.7)	-114,000	(18.1)
	PROVISION FOR INCOME TAX ***	-392	(0.8)	-1,698	(0.3)	-1,017	(0.2)
I	CURRENT EARNINGS (G-H)	2,220	4.23	9,619	1.55	5,765	0.91

* = This is an optional line item. If used, it must be added to both the direct and indirect labor line items to calculate total salaries
** = This does not apply to S-Corp's, LLP's, Partnership, or Sole Proprietors
*** = The provision for Income Tax is determined by the Cash-Basis Income Statement.

Revenue Component of P-L

The Revenue component establishes the baseline value for the Net Operating Revenue (NOR) at 100.00%. Every other line item in the P-L is a corresponding percentage of the NOR.

The Revenue section is further divided into four sub-major line items: Fees Billed, Reimbursable Expenses Billed, Outside (Project) Consultants (O-C) and Project-Related Expenses. Each of these sub-major line items is further defined by a number of sub-categories.

1. Fees Billed for:

- a. Architect
- b. Outside Consultants
- c. Mark-up on O-C fees to be billed.

Fees Billed are shown as a positive dollar amounts.

2. Reimbursable Expenses Billed for:

- a. Architect
- b. Outside Consultants (equal to the invoice amounts received from the O-C for the billing period).
- c. Mark-up on all expenses to be billed.

Reimbursable Expenses Billed are shown as positive dollar amounts.

3. Outside Consultants:

Equal to the fee invoice amounts received from the O-C for the billing period.

Outside Consultants is shown as a negative dollar amount (debit to Net Operating Revenue).

4. Project-Related Expenses (for the following five types):

- a. Architect's reimbursable expenses, mark-up not included.
- b. O-C reimbursable expenses (amount invoiced to architect), mark-up not included.

- c. Project-related expenses included in all of the Lump Sum fee projects billed.
- d. Project-related non-reimbursable expenses for the firm that are not allowed by clients, per the contracts.
- e. Project-related reimbursable expenses that exceed any contract-stipulated maximum.

Project-Related Expenses are shown as a negative dollar amounts (debit to Net Operating Revenue).

Notes:

Items 4a. + 4b. equal Items 2a. + 2b, less mark-up.

Items 3. and 4b. represent the dollar values of the invoiced amounts received from the O-C for the billing period.

Balance Sheet

The Balance Sheet is the second of the two primary financial management reports and represents an opportunity to look at the firm's financial condition at any time. Because the report is updated every time financial data is entered into the accounting system, it is capable of providing an 'instant snapshot' of the firm's financial condition.

On the Balance Sheet, the four most significant line items are:

- Current Assets: those easily converted to real dollars
- Current Liabilities: items that must be paid within the current 12-month period, irrespective of the calendar year, that diminish the value of a firm's Retained Earnings and thereby reduce Equity
- Long-term Liabilities: items that must be paid beyond the current 12-month period and diminish the impact of the value of a firm's Retained Earnings and thereby reduce Equity) and
- Equity (the value of shares of stock, invested capital by shareholders, and the firm's cumulative retained earnings (or loss).

Current Assets (Cash-on-Hand, Accounts Receivable and Fees Earned Unbilled (Work-in-Progress, or WIP)) are line items that need careful, regular scrutiny to ensure that the firm is maintaining a proper margin over its liabilities. The Current Liabilities to monitor and manage are Accounts Payables and Short-Term Notes Payable. Equity will reflect

the cumulative Earnings (or Loss) over the life of a firm, based on each year's Current Earnings (or Loss) from the year-end P-L reports.

The term 'Balance' reflects that Total Liabilities and Total Equity always being equal to the Total Assets. This report will provide the remaining four of the eleven total key financial performance indicators.

'Executive Summary' format

The Balance Sheet is less complex in its format than the P-L Statement. Because this report is in a state of almost constant change, only a single column of figures is required. If a firm leader desires, the sub-totals and totals for each section can be offset from the body of line item figures. Like the P-L, maintaining the single page Executive Summary format is also an important consideration.

The Balance Sheet and the Profit-Loss Statement share certain financial data. Among these are:

From the Profit-Loss Statement to Balance Sheet: Bad Debt, Current Earnings and Accrued Bonus.

From Balance Sheet to the Profit-Loss Statement: Accumulated Depreciation & Amortization.

Balance Sheet Components and Line Items

There are two key words on the Balance Sheet that require a definition to clearly understand their respective meanings. The words 'Current' and 'Long-Term' are referred to in connection with all three of the major components: Assets, Liabilities and Equity. These words occur throughout the Balance Sheet, both as major components as well as a number of different line items.

Each time these words occur, they carry the same meaning. "Current" is the current 12-month period, irrespective of the calendar year and "Long-Term," any time frame beyond the current 12-month period.

Specific Examples:

'Notes Payable – Current Portion' in Current Liabilities.

'Notes Payable – Long-Term Portion' in Long-Term Liabilities.

Mattox Format Balance Sheet

The Mattox Format for the Balance Sheet consists of five vertical component (row) sections, which include: two groups of Assets (Current and Long-Term), two groups of Liabilities (Current and Long-Term) and a

single Equity component. The differences between the Mattox Format and a conventional balance sheet are related to sub-category line items and are minimal.

Like the P-L Statement, each of these five component sections is further divided into a group of line items that serve as a major description for the component. Each of these major descriptions has a limited number of sub-category line items for each description. These sub-category line items, unlike the P-L Statement sub-category line items, are not discretionary. They represent essential data that needs to be shown to allow the report to be effectively reviewed and understood. In the event that any sub-category line item comes into question, all of the supporting financial details are available from the firm's accounting system.

type="other"

Mattox Format for the Balance Sheet

The following is a sample of the Balance Sheet in the Mattox Format.

Balance Sheet

CURRENT ASSETS	
Cash (Checking, MMF, CD's, etc.)	\$ 56,768
Accounts Receivable	245,090
Allowance For Bad Debt	(3,115)
Fees Earned Unbilled (Work-In-Progress)	16,336
Prepaid Expenses/Insurance	4,588
Other Current Assets (Lease Security Deposit, etc.)	2,000
A. Total Current Assets:	\$ 321,667
FIXED ASSETS	
Furniture & Equipment	\$ 68,058
Leasehold Improvements	20,465
Company Owned Autos	28,788
Property and Buildings	103,436
Accumulated Depreciation/Amortization	(12,225)
B. Total Fixed Assets:	\$ 208,522
C. Total Assets (A + B):	\$ 530,189
CURRENT LIABILITIES	
Notes Payable - Current 12 Months	\$ 16,140
Accounts Payable	49,788
Fees Billed Unearned	15,750
Retainers/Initial Payments Unearned	7,500
Accrued Payroll Taxes (Employer's Portion)	4,128
Federal Income Taxes - Withheld	3,644
Accrued Vacation	4,663
Accrued Bonus	107,500

Other Current Liabilities	\$ 9,545
D. Total Current Liabilities:	\$ 218,658
LONG TERM LIABILITIES	
Balance of Notes Payable (not incl. Current Installments)	\$ 51,340
Other Long-Term Liabilities (Beyond Current 12 Mo.)	10,740
E. Total Long-Term Liabilities:	\$ 62,080
F. Total Liabilities (D + E):	\$ 280,738
STOCKHOLDER'S EQUITY	
Common Stock (Par Value)	\$ 1,000
Additional Paid-In Capital	80,000
Current Earnings (at end of Current Yr.)	9,619
Previous Cumulative Retained Earnings	158,832
G. Total Stockholder's Equity:	\$249,451
H. Total Liabilities & Equity (F + G):	\$530,189
Note: Total Liabilities & Stockholder's Equity always equals Total Assets (H = C)	

Frequency of Distribution for Financial Reports

The frequency of distribution for the Executive Summaries of the two financial reports is a decision to be made by the firm leaders and in many situations, is a function of the size and complexity of the firm. In general however, even in small firms, most firm leaders will expect to receive an updated set of financial reports on a monthly (30-day) basis, if not more frequently. This timing rarely occurs at the end of a calendar month. Rather, it is related to the completion of the accurate entry of all of the relevant, current financial data into the accounting system. Firm leaders need this data as quickly as possible to allow them to have the best opportunity to respond in a timely manner to developing trends. Obviously, those firms with an integrated, computerized accounting system will have a distinct advantage over those using less sophisticated software.

In addition to the firm leader(s), there may also be a need to provide a current report to governmental agencies, insurance companies, banks and perhaps even new, prospective clients.

Having accurately completed daily timesheets once again becomes a key factor in the efficiency and accuracy of the accounting systems data entry process and its final, monthly distributed reports.

Conclusion

In general, any well-designed and properly integrated financial management system will enhance a firm's opportunities for financial success. To do so requires the development of a number of properly formatted reports and data-tracking components for use in these reports. The regular, periodic monitoring of these reports will facilitate the necessary adjustments to maintain a firm's financial success.

Prior to adopting any of the contents of this article it is recommended that each firm seek professional input from trusted outside sources familiar with the firm. At a minimum, firm leaders are urged to review and discuss this article with accounting advisers, both in-house and outside. Once discussed, any decisions to adopt specific changes to their current accounting system will need to be implemented with its accounting staff and as much outside professional guidance as is available.

For More Information

Financial Management for Architects, Robert F. Mattox, FAIA (retired), published by the American Institute of Architects, 1980

Standardized Accounting for Architects, Robert F. Mattox, FAIA, (retired), published by the American Institute of Architects, 1982

Financial Management for Design Professionals: The Path to Profitability, Steve L. Wintner, AIA Emeritus and Michael Tardif, Associate AIA, published by Kaplan AEC Education, 2006