



Chart of Accounts

P2P Guidelines for Posting to the Profit/Loss Chart of Accounts

The chart of accounts is the primary organizing element of a firm's financial management system. It establishes the foundation for accurate data entry, developing reliable financial forecasts, generating and analyzing financial reports, and, ultimately, making sound financial management decisions. Every transaction entered into your firm's financial management system—whether it's a paper ledger, a spreadsheet, or a financial management software application—must be *posted* or *charged* to an "account" defined by your firm's chart of accounts in order to be properly tracked. The chart of accounts should be sufficiently detailed to allow the accurate capture of all transactions (in particular, all project direct expenses), but not so detailed as to become unwieldy. The chart of accounts *should not* include default or catch-all accounts with vague, un-descriptive monikers such as *general, other, or undefined labor, expenses or overhead*.

The following is a set of guidelines explaining the proper method for posting of all entries into the Chart of Accounts. It is essential that these guidelines are followed without exception in order to facilitate the proper placement in the P2P Format for the accrual-basis, Profit/Loss Statement (P/L).

Bold headings represent the primary account numbers in the Revenue section of the accrual-basis P/L and the only line items that will appear in P2P P/L. The other numbers are sub-accounts to each primary account and provide a detailed explanation of each line item and what is to be posted to each sub-account. These sub-accounts come from the CoA and are included in the detailed version of the P/L.

Revenue Section

4100 Total Fees Billed:

4111 Architect Fees Billed: **Post here** all invoiced amounts sent to clients for Architects' fees. (*This does not include anything other than the fees billed for the Architect's services.*)

4112 Consultant's (O-C) Fees Billed: **Post here** all invoiced amounts sent to clients for all O-C fees billed. (*This may not be the same fee amount as the amount of the O-C fee invoices received – see 4170.*)

4113 Mark-up (m-u) on O-C Fees Billed: **Post here** all mark-up amounts on O-C Fees Billed (4112 x 1.x).



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4150 Reimbursable Expenses (R-E) Billed:

4151 Architect R-E Billed: **Post here** all invoiced expense amounts sent to clients for the Architect. *(This does not include anything other than the R-E billed for Architect's expenses.)*

4152 Consultant's (O-C) R-E Billed: **Post here** all invoiced R-E amounts sent to clients for all O-C expenses billed. *(This may not be the same R.E. amount as the amount of the O-C R.E. invoices received – see 4192.)*

4153 Mark-up (m-u) on R-E Billed: **Post here** all mark-up amounts on all R-E Billed. *(This includes m-u on Architect's and O-C's reimbursable expenses billed - 4151+4152 x1.x)*

4153 Mark-up (m-u) on R-E Billed: **Post here** all mark-up amounts on all R-E Billed. *(This includes m-u on Architect's and O-C's reimbursable expenses billed - 4151+4152 x1.x)*

4170 Outside Consultant's Fee Invoices Received:

4171–417X: **Post here**, in applicable, individual O-C acc't numbers, all incoming O-C fee invoices received by Architect, *as a Debit-to-Revenue (negative number)*.

4190 Project-Related Expenses (PRE):

4191 Architect Reimbursable Expenses (RE) Incurred w-o mark-up. **Post here** all incoming project-related expense invoices received from outside vendors, or Architect's in-house project team members, *as a Debit-to-Revenue (negative number)*. *(This amount will be equal to the invoiced amount entered in 4151, exclusive of any m-u; anticipate exceptions.)*

4192 Outside Project Consultant's R-E incoming invoices received by Architect. **Post here** all incoming project-related reimbursable expense invoices received from O-C's *as a Debit-to-Revenue (negative number)*. *(This amount will be equal to the invoiced amount entered in 4152, exclusive of any m-u; anticipate exceptions.)*

4193* Architect's Direct Project-Related Expenses (Non-Reimb.): **Post here** all non-reimb. project-related expenses incurred (internal & external) that are not allowed to be invoiced as a reimbursable by the Client's Contract, *as a Debit-to-Revenue (negative number)*.

4194* Architect Project Reimbursable Expenses in Excess of any Stipulated Max.: **Post here** all project-related R-E incurred that exceed the max. allowable amount, per Client Contract, *as a Debit-to Revenue (negative number)*.

4195* Architect Project Expenses included in Lump Sum (LS) Fees Billed: **Post here** all LS expense amounts that were included in 4110 Architect Fees Billed invoices to clients *as part of the LS Fee, as a Debit-to-Revenue (negative number)*.



* **Further clarification of line items 4193, 4194 and 4195**

4193 This line item, referred to as Architect's Direct Project Expense captures any project-related expense incurred by the firm that is not billable due to contact limitations. Nonetheless, these must be recorded as they are a cost to the project and will reduce the Net Operating Revenue (NOR) accordingly. They are also to be recorded on the applicable project reports.

4194 This line item captures any project-related reimbursable expense incurred by the firm that cannot be invoiced to clients if the contract stipulates a maximum amount of reimb. expenses allowed to be invoiced and these amounts exceed that limit. As with 4193, these expenses will also be a cost to the project and will reduce the NOR accordingly. They are also to be recorded on the applicable project reports.

4195 This line item captures those project-related expenses incurred by the firm that are included in the Lump-Sum project fees billed to the clients. The amount of these incurred expenses does not appear on any invoice b/c they are lumped together with the fees billed as a single LS amount. Nevertheless, these project expense amounts must be quantified by the firm and **posted here** as they are a cost to the project and will reduce the NOR accordingly. They are also to be recorded on the applicable project reports.

In summary, the Revenue Section is comprised of four sub-total amounts: two positive (credit to Revenue) 4100 & 4150, and two negative (debit to Revenue) 4170 & 4190, which when properly posted will be used to calculate Net Operating Revenue (NOR).