



Project Budgets and Estimated Cost at Complete

Project teams can manage their Latest Revised Estimated Cost at Complete for each project in the budget Tab. This estimate is used to produce Work in Progress reports needed for controlling working capital and cash flow and periodic financial reporting.

Estimated Cost at Complete

This is accomplished by entering subjective estimates for the amounts remaining to be procured to complete their project ("At Risk") plus amounts to be held in contractors contingency ("Contingency"), both entered by cost code. These amounts are added to the actual cost to date ("Actuals") plus the balance of open commitments ("Open") to compute total Estimated Cost At Complete (known as "EAC" or "Cost at Complete").

The Complete amounts by cost code are then compared to the original Budget in order to measure financial performance. The Budget is automatically created as discrete elements of the scope of work are put into progress. Simply, the Budget is equal to the original cost estimate by default but can be overridden with the appropriate permission in order to establish a financial baseline against which project teams may be measured. Each time additional scope (such as a customer change order) is put into progress, the cost estimate for that scope will be added to the Budget.

The total Complete for all cost codes is summarized and is generally referred to by accountants as the Latest Revised Estimated Cost at Complete. This is an important number as it is the basis for revenue recognition and measurement of working capital efficiency, and the foundation for periodic Work in Progress ("WIP") reports.

Following is an example of a WIP report produced by RedTeam known as Revenue and Gross Profit.

REVENUE & GROSS PROFIT										
2017										
Through Thursday, September 28, 2017										
View by Project										
Project	Contract (\$)	Estimated Gross Profit (\$)	Percent Complete	Total Revenue (\$)	Total Direct Cost (\$)	Total Gross Profit (\$)	Total Billing (\$)	Under Billing (\$)	Over Billing (\$)	Backlog (\$)
1010002	3,035,363.90	276,461.03	84.0%	2,548,274.09	2,299,682.87	248,591.22	2,476,383.21	71,890.88	0.00	487,089.81
1020001	210,392.00	(2,086.63)	43.2%	90,898.38	91,799.89	(901.51)	195,228.80	0.00	104,330.42	119,493.62
	3,245,755.90	274,374.40		2,639,172.47	2,391,482.76	247,689.71	2,671,612.01	71,890.88	104,330.42	606,583.43

For individual projects, the key elements of Work in Progress reports are summarized on a project-specific report known as a Financial Overview.

Financial Overview

The Financial Overview report incorporates the latest contract information and combines it with the latest estimated cost at complete, in order to present the estimated profit at complete, as well as the current revenue to date.

So long as the revenue recognition method is set to Percentage of Completion, the revenue earned may be used to measure working capital efficiency.

Following is an example of a Financial Overview report produced by RedTeam:



Campus Construction
Powered by RedTeam

FINANCIAL OVERVIEW

Today's Date: 6/16/2019

Project Details	Contract Details	Days	Amount (\$)
Company Division: Campus Construction	Original Contract dated 05/05/2016	120	1,161,042.83
Project: 1010001 - Daily Bugle Renovation	10 Authorized Change Orders	64	287,223.88
Customer: Wilson Fisks Development	Total Modified Contract	184	1,448,266.71
Facility: Daily Bugle Corporate Office	Contract Balance to Finish	0	843,750.73
Contact: J. Jonah Jameson	21 Potential Scope Changes	30	2,328.25
Manager: Rob Morton	Contract Start Date:		05/05/2016
Status: In Progress / Closeout	Contract Completion Date:		11/04/2016
	Scheduled Completion Date:		05/19/2021

Estimate At Complete	Budget (\$)	Actuals (\$)	Open (\$)	ETC (\$)	Complete (\$)	Variance (\$)
Contract Revenue	1,448,266.71	503,299.69			1,448,266.71	0.00
Direct Labor	29,050.00	10,223.79	3,124.72	27,940.52	41,289.03	12,239.03
Material	563,185.43	292,419.28	141,350.05	130,969.69	564,739.02	1,553.59
Subcontract	615,065.12	120,250.00	80,180.00	410,435.12	610,865.12	(4,200.00)
Equipment	0.00	0.00	0.00	0.00	0.00	0.00
Total Direct Cost	1,207,300.55	422,893.07	224,654.77	569,345.33	1,216,893.17	(11,511.14)
Indirect Costs	120,730.05	42,289.31	22,465.48	56,934.53	121,689.32	959.26
Total Cost	1,328,030.60	465,182.38	247,120.24	626,279.87	1,338,582.48	(10,551.88)
Percent Complete		34.75%	18.46%	46.79%	100.00%	
Profit (Loss)	120,236.11	38,117.31			109,684.23	(10,551.88)
Profit Margin	8.30%	7.57%			7.57%	(0.73)%

Note - Commitments related to Potential Changes are included.

Working Capital					
Total Revenue	503,299.69	Received to Date	467,803.91	Accounts Payable	48,705.75
Less Total Billed	604,515.98	Less Paid to Date	416,476.63	Less Uncollected Revenue	35,495.78
Over (Under) Billed	101,216.29	Net Cash Flow	51,327.28	Net Working Capital	13,209.97

Contract Value

The Contract Value section of the report includes the current contract time and value as having been modified by change orders to date. The detail of the change orders is itemized starting on the second page of the report.

Estimate at Complete

The Estimate at Complete section of the report includes Budget, Actuals, EAC, Complete and Variance columns, summarized by the element of cost such as Labor, Material, Subcontract, Equipment and Other, plus an optional Overhead Allocation.

Over/Under Billing

Revenue is compared to billing to determine if the project is either under or overbilled. In general, contractors want to bill slightly ahead of the revenue they are earning on a percentage of completion basis. Under billings are closely scrutinized by financial partners such as banks and sureties as it indicates over-optimistic anticipated profitability, or improper billing practices (such as back-loaded schedule of values, or simply under-reporting of progress).

Cash Flow

The calculation of absolute cash flow is simply the net of cash received net of cash disbursed. The system assumes payroll and overhead costs are paid as they are incurred.

Working Capital

Working capital is comprised of Accounts Payable, the value of services and materials received but not paid for, less Uncollected Revenue, which is what you have earned but not collected from your customer. This is the most important metric for evaluating the financial efficiency of your project.

Snapshot

By taking a Snapshot of an updated Financial Overview, RedTeam will archive the report by date and by the user for comparison to future reports.

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