Project Level Cash Flow Management for Contractors

Course Description

Project Level Cash Flow Management. As a construction manager gains more and more responsibilities, they find that they are managing incredible amounts of revenue and risk. Poor cash flow is the number one reason for company failures, which emphasizes the importance of understanding the principles taught in this course. This one-day training will help learners understand the construction payment cycle, the critical value of timely and consistent invoicing, and the impacts of delayed invoicing and receivables. It will help construction managers navigate the contractual relationships with owners/owner's representatives, and how to use a Work-In-Progress report. The application of these principles will certainly lead to improved cash flow and profitability.

The primary audience for the course is the operations group, e.g. project managers, project engineers, and superintendents. Personnel such as project accountants and project executives are welcome to join and may find benefit from taking a train-the-trainer approach.

Course Outline:

1.The Construction Payment Cycle
- Delayed Invoicing
- Delayed Receivables
- Ensuring Timely and Consistent Invoicing
- Review Financial Statements
  o Cash vs. Receivables (accrual accounting method)
  o Earnings in Excess of Billings (under-billings)
  o Billings in Excess of Earnings (over-billings)

2. Cash Flow Process
- Contract Terms
- Cash Flow Exercise
- Front End Loading
- Pay-When-Paid vs. Early Subcontractor Payment

3. Calculating Cash Flow Burden
- Debt vs. Equity Financing
- Use of Cash: Opportunity Costs
- Use of Debt: Cost of Capital

4. Work In Progress Reports
- How to construction a WIP
- How to Use – Forecasting

5.Earned Value Analysis
- Cost Performance Index
  o Budgeted Cost of Work Performed
  o Actual Cost of Work Performed
- Schedule Performance Index
  o Budgeted Cost of Work Performed
  o Budgeted Cost of Work Scheduled
- Predictive Analytics Tool