



51A Middle Street, Newburyport, MA 01950

Phone: 800-588-7039

[contact@bhfe.com](mailto:contact@bhfe.com)

[www.bhfe.com](http://www.bhfe.com)

## Course Information

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**Course Title:** Construction Accounting #368123

**Number of continuing education credit hours recommended for this course:**

In accordance with the standards of the National Registry of CPE Sponsors CPE credits have been granted based on a 50-minute hour.

**CPA: 11** (All states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE .51

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

### Course Description

This course addresses every aspect of the accounting for a construction business. The intent is to not only explain accounting concepts, but also provide examples and show how an accounting system can be constructed and operated. The course pays particular attention to unique aspects of construction accounting that are not encountered in other industries, including the job cost ledger, change orders, back charges, percentage of completion calculations, and the treatment of anticipated losses on contracts. In short, *Construction Accounting* is the go-to source for information about the accounting for a construction firm.

### Course Content

Publication/Revision date: 5/1/2023.

Author: Steven M. Bragg, CPA.

Final exam (online): Fifty-five Questions (multiple-choice).

**Program Delivery Method:** NASBA QAS Self-Study (interactive)

## Subject Codes/Field of Study

NASBA (CPA): Accounting

## Course Level, Prerequisites, and Advance Preparation Requirements

Program level: Overview

Prerequisites: Basic familiarity with accounting practices.

Advance Preparation: None

### Instructions for Taking This Course

- Log in to your secure account at [www.bhfe.com](http://www.bhfe.com). Go to "My Account."
- You must complete this course within one year of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- Complete the course by following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- Once you have completed studying the course and you are confident that the learning objectives have been met, answer the final exam questions (online).

### Instructions for Taking the Online Exam

- Log in to your secure account at [www.bhfe.com](http://www.bhfe.com). Go to "My Account."
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- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

**Have a question?** Call us at 800-588-7039 or email us at [contact@bhfe.com](mailto:contact@bhfe.com).

# Learning Objectives

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- Recognize the types of bonds that a contractor may be required to post.
- Cite the different types of clauses that may be added to a construction contract.
- Specify the various causes of contract claims.
- Specify the types of financial difficulties to which the construction industry is subjected.
- Identify the different types of ledgers used by a construction company.
- Specify the components of a work breakdown structure.
- Recognize the types of accounts most likely to be designated as control accounts by a contractor.
- Recognize the linkage between contracts and revenue recognition.
- State the criteria for the existence of a contract.
- Specify the methods used to determine the price of a contract.
- Cite the criteria used to identify contract fulfillment costs.
- Recognize the different methods used to calculate the percentage of completion.
- Identify the situations in which the completed contract method should be used.
- Describe the circumstances under which the recovery of funds from a change order is probable.
- Specify the proper accounting for pre-contract costs.
- Describe the normal account balances for the various account types.
- Recognize when the straight-line rent concept should be applied.
- Recognize the uses to which the accounting equation is put.
- Identify the linkage between the balance sheet and the income statement.
- Identify the impact of a long operating cycle.
- Cite the circumstances under which the useful life concept is employed.
- Specify the significance of the mid-month convention.
- Identify the depreciation calculations for all depreciation methods.
- Recognize the accounting for the disposition of a fixed asset.
- Specify the methods available for giving meaning to a supplier identification number.
- Recognize the purpose of the different copies of the Form 1099-MISC.
- Specify the purpose of the more important boxes listed on the Form 1099-MISC.
- Recognize the reasons for loan balance differences in the records of the lender and borrower.
- Cite the rule used for determining the amount of a loss contingency accrual.
- Specify the proper disclosure for the different types of contingent losses.
- Specify the uses for the lessee of a lease arrangement.
- Recognize the lease rules related to short-term lease arrangements.
- Describe the usage of the Form W-4.
- Identify the calculation used for the hourly rate plan.
- Specify how the wage bracket method is used.
- Recognize the payment schedules for the different types of tax deposits.
- Identify the tax calculation for the FUTA tax.
- Recognize how the equity method is calculated.
- Specify the IRS designation for a multi-year contract.
- Recognize the circumstances under which the IRS allows the cash method to be used.
- Recognize the circumstances under which the completed contract method is used to recognize revenue.
- Identify the situations in which a change log can be most profitably used.
- Recognize the controls that apply to fixed fee and cost plus contracts.

- Cite the components of earned value management.
- Describe the calculation of the cost performance index.
- Specify the advantages and disadvantages of the various types of organizational structures, as well as the requirements for the formation of each one.

## About the Author

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**Steven Bragg, CPA, Steven Bragg, CPA**, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written more than 250 books and courses, including *New Controller Guidebook*, *GAAP Guidebook*, and *Payroll Management*.

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# Preface

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Construction accounting applies to a large part of the economy, since it includes *any* type of construction, such as homes, office buildings, highways, pipelines, and power plants. There are a number of unique aspects to construction accounting that are not encountered in other industries, such as the accumulation of information by job, recognizing revenues and costs based on the percentage of completion (or other methods), and the treatment of change orders and claims. In *Construction Accounting*, we address every aspect of the accounting that one might encounter in a construction business. The intent is to not only explain accounting concepts, but also provide examples and show how an accounting system can be constructed and operated.

The book is divided into three sections. In Chapters 1 through 5, we cover the essential building blocks of construction accounting, including the chart of accounts, cost codes, the job cost and equipment ledgers, and the resulting financial statements. In Chapters 6 through 12, we address the specific accounting for a number of functional areas, including fixed assets, payables, debt, leases, and payroll. In Chapters 13 through 16, we address several related topics that are crucial to the operation of a construction business, including tax issues, controls, the analysis of specific jobs, and the alternative legal structures that can be used.

You can find the answers to many questions about construction accounting in the following chapters, including:

- What cost codes are used in a construction accounting system?
- How does a job cost ledger support a construction accounting system?
- When should the percentage of completion method be used?
- Which journal entries impact the job cost ledger?
- Which unique line items applicable to construction appear in the financial statements?
- What is the accounting for construction fixed assets?
- How does one account for an investment in a construction joint venture?
- Which tax issues are most applicable to contractors?
- Which analysis reports can be created to examine the performance of a job?

*Construction Accounting* is designed for the accountant who wants to set up and operate an accounting system that is specific to the needs of a contractor or similar enterprise.

Centennial, Colorado  
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