



Accounting Demystified

Accounting and Financial Management by Emma Shinn; NAHB, 15th & M Sts, NW, Washington, DC 20005; 1985; 66 pages; \$18.00 members/\$22.50 nonmembers plus \$2.50 handling charge, paperback.

The NAHB's *Accounting and Financial Management* is a pithy overview of the subject for builders on all levels. The author has not attempted to make accountants out of builders, but to enable them to understand the sometimes mysterious terminology of accounting. Despite her efforts to simplify I still found some concepts and examples difficult to follow on first reading, but overall the book provides a good primer on such topics as choosing an accountant (vs. a CPA vs. a bookkeeper), terminology (the differences between assets, equities and liabilities, debits vs. credits, and how "cost" of sales is both an asset and a reduction in

owner equity), and preparation of financial statements. Also included are cash vs. accrual accounting plus other methods of particular interest to builders (such as completed contract vs. percentage of completion), coding of accounts, setting up ledgers, financial analysis (the ultimate purpose of generating a blizzard of paperwork), and the NAHB One-Write system of cost accounting. Sample forms are included, plus a discussion of the merits of manual vs. various automatic data processing methods. Somewhat pricey, but an adequate introduction. ■

—Paul Hanke

The Big Picture

Business Planning for Builders by Lee Evans and Raymond Emery; NAHB, 15th & M Sts. NW, Washington, DC 20005; 1985; 77 pages; \$12.00 members/\$15.00 nonmembers plus \$2.50 handling, paperback.

This booklet is essentially an expanded outline of business planning topics prepared by the NAHB Business Committee. The introduction addresses the rising possibility of foreign competition. From there the full spectrum of business planning concerns affecting builders are given an overview, from marketing concepts (economic, social, competitive, and legal) to risk management (debt, inventory, and insurance). One brief chapter warns against crisis management (sound familiar?). The next focuses on defining your business (single-family? multi-? geographic limitations?). This

is followed by discussion of the planning process and the components of a business plan—but contrary to the impression given by the title, this is not a book that will show you how to create a highly detailed business plan of the type you'd need for obtaining financing or for setting strategic goals for the coming year, the format is too brief and general for that.

Additional topics considered include land purchase, monitoring your plan (debt-to-equity-ratio and other useful checks), estimating systems (emphasis on systems), accounting procedures to identify deviations from job projections, pricing methods and other financial tools, and what to look for in computer shopping. The text includes many tables and charts. Appendices provide forms for financial management and an economic break-even model. All in all, it's a useful overview for builders who tend to be "product oriented." ■

—Paul Hanke

How to Unit-Price

Means Unit Price Estimating by Edward B. Wetherill, ed.; R.S. Means Co, Kingston, Mass.; 356 pages; \$42.95, hardcover.

This latest addition to the vast Means Library is not an estimating data book, rather it is a book about how to estimate by the unit-price method. Chapter 1 explains the difference between estimate types (ballpark, square foot/cubic foot, systems, and unit price). Chapter 2 advises on what to do before starting your estimate (get enough sets of prints, be aware of special instruction, and read the drawings and specs before attending the pre-bid meeting). Chapter 3 discusses quantity takeoffs by UCI Divisions, and includes practical tips which are found throughout the book such as

rounding off only during your final summary of quantities (otherwise a 2-3 percent cumulative error could develop that might cost you the job. Chapter 4 covers pricing—sources of data plus a lengthy, in-depth discussion of direct and indirect costs and handling bid paperwork. Chapter 5 delves into pre-bid scheduling; Chapter 6 tackles post-bid analysis and job tracking. Chapter 7 describes how to use the other Means Data books in your work.

Chapter 8 constitutes the bulk of the book and takes you step-by-step through all 16 divisions of preparing a bid for a multi-story office building. Appendices offer sample forms and carpentry estimating tables. As the subtitle says, the book is "a comprehensive guide" for rookie estimators or old hands who want to review or sharpen their skills.

Pricey, but very high quality, and it might actually pay for itself on the first bid it pulls out of the fire. ■

—Paul Hanke

Designing for Profit

Business Management in the Smaller Design Firm by Lowell Getz, CPA; Practice Management Associates, Ten Midland Ave, Newton, MA 02158; 1986; 157 pages; \$55.00, paperback.

This detailed look at business management won't teach you accounting skills (you can hire those, says the author), but it does provide a credible introduction to management skills for principals of small design firms (up to 30 to 40 people). Major concerns of such readers include improving profitability, monitoring project budgets against operations, risk management, reducing accounts receivable, and marketing, among others—all of which are covered with a particular emphasis on architecture, engineering and interior design firms.

According to Lowell Getz, a certified public accountant and financial consultant to A/E firms, a principal can usually act as business manager until a firm reaches perhaps 15 people, with the help of a hired secretary/bookkeeper. Beyond that a hired business manager may be in order. In either case the person should have an active role in both management and goal setting. Job descriptions for Secretary, Bookkeeper and Business Manager supplement the text.

After presenting an overview of the management function, Getz offers case studies of five small firms, with thumbnail sketches of their firm goals, management structure, planning procedure and a brief evaluation of effectiveness. Photos of the principals and a page of graphics accompany each short text.

From there on Getz addresses the nitty-gritty of management for profitability, beginning with long range planning—which he says is "critical" to the success of a small firm. Based upon long term strategy the firm must develop tactics, set specific goals (i.e. establishing a CADD system), create time and expense budgets, assign personnel, and develop a profit plan. The strengths and weaknesses of the firm must be analyzed, and periodic monitoring is necessary to keep (or change) course. If you're not doing these things already (and holding your planning meetings away from the office), perhaps you should read this book.

Once goals and strategies are set, a profit plan can be developed for the firm (or for each department of larger organizations). This includes a marketing plan (watch out for a "shrinking backlog"), personnel power (include guidelines for percentage of billable time for various staff), overhead and direct expense budgets, profit policy (the target to shoot for) and, perhaps most important—projected annual financial and cashflow statements. These statements need to be followed up by monthly reports, including calculation of such items as your collection period ratio.

Additional chapters cover pricing with emphasis on the common cost multiplier method; negotiating tips (contract types, and negotiable issues

such as late payment penalties, change orders, etc.); project budgets (include tracking sample charts, and tips on what to do when problems arise). Other hardcore subjects include controlling overhead ("control" does not necessarily mean "reduce"), invoicing (be prompt!), cash flow forecasting (three month minimum), and computerizing financial systems. Final chapters survey tax planning (including the pros and cons of various withdrawal and bonus strategies) and management for both the corporate and personal future of the firm and its principals.

Getz's writing is understandable and informative. However, lists and other supplements to the text are typed (rather than typeset) and enlarged, and the graphics in the case study section are pretty plain vanilla. Worst of all, the book is so poorly bound that pages began falling out on the first reading, and a couple of pages were inserted twice. One expects more from a book — especially a 157-page paperback priced at \$55.00. In fact, at 35¢ per page, one might say it should have been cheaper to photocopy the thing instead of printing it in shoddy fashion.

However, there are two ways of viewing this book's incredible pricetag. One is to say that it is outrageous. The other is to note that it is much cheaper than a business seminar. Overall, I'd say this one of the best treatments you'll find on the subject due to its breadth and special focus on the needs of design firms, although other books certainly cover specific topics (such as marketing) in more detail. But unlike the Means reviewed above the physical product in this case is poor, and I can't advise you to wait until it comes out in paperback. ■

-- Paul Hanke

FREE & CHEAP

Choosing a Computer: A free 30-page booklet, *Computer Systems for Construction Contractors*, covers why to buy, how to find the right system, why not to write your own software, and how to get the most out of your new system. Available from Estimation Inc. 805-L Barkwood Court, P.O. Box 488, Linthicum Heights, MD 21090, or call toll-free 1-800-235-7878.

Legal Bids: The American Subcontractors Association (ASA) sells a manual entitled *Subcontractor Building and the Law* which describes the bidding process, bid errors, and when the subcontractor's bid is binding. To order, send \$12 (\$10 for ASA members), plus \$2 for postage and handling to the group at 1004 Duke Street, Alexandria, VA 22314; 703/684-3450.

Safety Services: A company brochure geared to help industry managers reduce injuries and associated costs describes training materials, safety seminars, and audits. Available from Du Pont Safety Management Services, Wilmington, DE 19898.

Fuel saving Products: A catalog and price list of energy conservation and weatherization products from Fuel Control Corporation, P.O. Box 35814, Minneapolis, MN 55435-0814. You can call toll-free 800/328-6335 (800/247-0819 in Minnesota).

Crime Prevention: Kwikset, a division of the Hardware Group of Emhart Corporation, is selling a 248-page guide entitled *How to Protect Yourself from Crime* for \$2.00 (as long as supplies last). Written by Ira A. Lipman, head of a security service, it describes crime prevention procedures. For a copy write to Kwikset's Advertising Dept., 516 E. Santa Ana Street, Anaheim, CA 92803.

Cellular Phone Assistance: A guide to using cellular telephones includes a listing of cities with cellular service, with instructions about calling in that location; information about how to evaluate the purchase of a cellular telephone; and information about how to make best use of a cellular phone. *The Cellular Telephone Directory* is available free from Communications Publication Service, 3790 El Camino Real, Suite 300, Palo Alto, CA 94306; 415/968-9358.

Ethical Products: A selection of "environmentally sensitive products" are described in the *Renew America* Catalog, including energy-efficient lamps, a home energy audit tool, an instant hot water heater and radon test kits. Also includes solar power batteries and other toys. For a copy of the catalog from the non-profit organization, write to FREE, 1001 Connecticut Avenue, N.W., suite 638 Washington, DC 20036 202/466-6880.

Wood Heating Directory: A directory of manufacturer's reps for the wood heat industry is available from the Wood Heating Alliance. The WHA Directory includes information on the rep's territory, the product lines they carry, and other information. Contact the WHA office at 1101 Connecticut, N.W. Suite 700, Washington, DC 20036; 202/857-1181.

Better Marketing: *Marketing for Remodelers: Leads for Building Business* is not exactly cheap, but less expensive than a marketing consultant. The book is available to the public from the NAHB Bookstore for \$36 (\$28.50 to NAHB members), and describes how to attract leads inexpensively through public relations, home shows, media advertising, and free publicity. Order from the bookstore at 15th & M Streets, N.W.; Washington, DC 20005; 202/822-0463 (or call toll-free 800/363-5242).
