

Construction & Building Engineering Courses (CB)

Construction Management Courses Group

CB 518 – Financial Management and Accounting in Construction

COURSE INFORMATION

Course Title: Financial Management and Accounting in Construction

Code: CB 518

Hours: Lecture – 2 Hrs. Tutorial – 2 Hrs. Credit –3.

Prerequisite: CB 517

GRADING

Class Performance/Attendance: 10%

Midterm # 1/Assignments – (7th Week): 30%

Midterm # 2/Assignments – (12th Week): 20%

Final Exam: 40%

COURSE DESCRIPTION

Principles of financial management and accounting. Financial statements' compilation and analysis, projecting cash flow, project financing, budgeting, cost control, introduction to cost accounting and risk-return relationship.

TEXT BOOK

Construction Accounting and Financial Management by Peterson, S. J., Publisher: Prentice Hall, USA, 2004.

REFERENCE BOOKS

Construction Accounting by Atrian Publisher: Prentice Hall, Englewood Cliffs, N.J., USA, 1990.

Construction Accounting and Financial Management by Coombs & Polwer, Publisher: McGraw Hill, New York, 1995.

Financial Management for Contractors by Jackson I.J. Jackson, III Publisher: McGraw-Hill, New York, USA, 1990.

COURSE AIM

The course aims at introducing the student to the fundamentals of accounting, financial analysis and management in construction.

SPECIFIC OUTCOMES OF INSTRUCTION

The students should be aware with the basis of accounting, financial analysis and financial management, accompanied with practical applications in construction.

COURSE OUTLINE

- Week Number 1-2:* Basics of accounting:
- Role of accounting in construction projects, and introduction to basic financial statements. Recognizing income in construction projects.
- Week Number 3:* Compilation of financial statements:
- Transaction recording, T-accounts, ledgers and the compilation of financial statements.
- Week Number 4-6:* Analysis of financial statement:
- Vertical and horizontal analysis of financial statements. Cash conversion cycle analysis.
 - Analysis of profitability, short and long term liquidity, and financial structure based on financial statements.
- Week Number 7:* Aspects of accounting and financial management in the construction industry:
- Construction sensitivity to economy and its effect on sales and profits. Leverage of equity and effect on risk and bankruptcy.
- Week Number 8-9:* Cash flow projection and analysis:
- The projection of cash flow from schedules, cost estimates and project financing. Cash traps. Analysis of cash flow and impact on project and company. S-curves.
- Week Number 10:* Project financing: Sources of financing, and cost of financing. Working with banks, customers, and investors.
- Week Number 11-12:* Budgeting.
- Basics of financial planning. Budgeting as a financial planning tool. Development of the budget and its utilization.
- Week Number 13-14:* Cost control and introduction to cost accounting.

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- Control of construction projects. Cost and budget updates and variance analysis. The basics of cost accounting; break even analysis, product costing.

Week Number 15: Risk-return relationship:

- Making investment decisions. Evaluating return on investment and associated risks. Risk-return tradeoff relationship.

Week Number 16: Final Exam.

COURSE COORDINATOR AND DEMAND

Course Coordinator: Dr. Mohamed Emam.

Course Demand: *Elective*