

Construction Accounting and Financial Management

Chapter 9 Managing General Overhead Costs

Construction Accounting & Financial Management, 3/e
Steven Peterson

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What is General Overhead?

- Overhead costs that cannot be charged to a specific construction project or charged to the equipment section of the income statement

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Cash Flow Versus Profit

■ Cash Flow

- ❑ Only include transactions that result in a cash flow
- ❑ Depreciation is not a cash flow; therefore, it is not included

■ Profit:

- ❑ Only include transactions that affect profit
- ❑ Purchase of a depreciable asset does not affect profit; therefore, it is not included, only the associated depreciation

What to Include in General Overhead?

- Advertising
- Bad Debts
- Bank Fees
- Car and Truck Expenses
- Charitable Contributions
- Computer and Office Furniture
- Depreciation
- Dues and Memberships

What to Include in General Overhead?

- Employee Wages and Salaries
- Employee Benefits
- Employee Retirement
- Employee Recruiting
- Employee Training
- Employee Taxes
- Insurance
- Interest Expense

What to Include in General Overhead?

- Janitorial and Cleaning
- Legal and Professional Services
- Meals and Entertainment
- Office Supplies
- Office Purchase
- Office Rent
- Office Utilities
- Postage & Delivery

What to Include in General Overhead?

- Publications and Subscriptions
- Repairs and Maintenance
- Taxes and Licenses
- Telephone
- Travel
- Unallocated Labor
- Unallocated Materials
- Miscellaneous

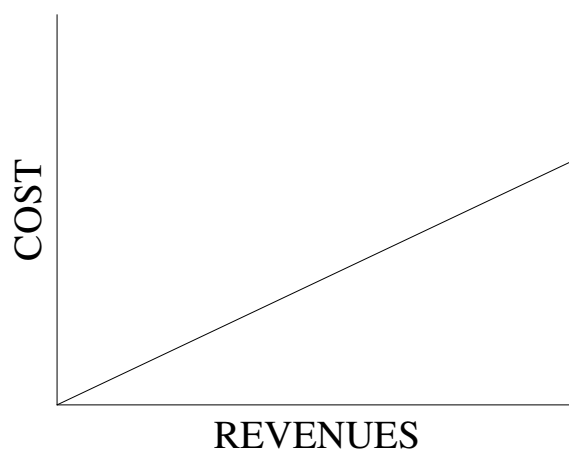
Estimating General Overhead

- Based upon historical costs
- Adjusted for inflation
- Adjusted for change in business practice
 - Company growth
 - New markets

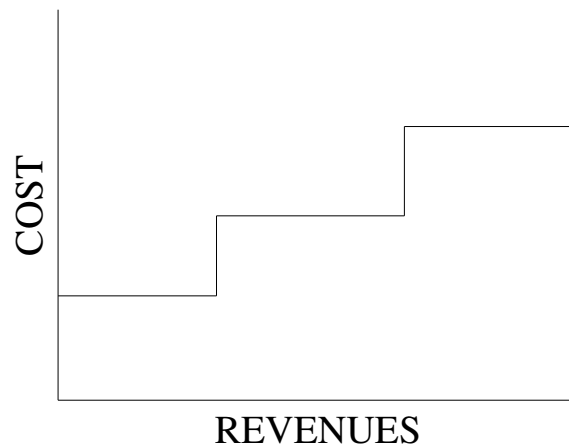
Types of Costs

- Variable Costs
- Fixed Costs
- Mixed Costs

Variable Costs



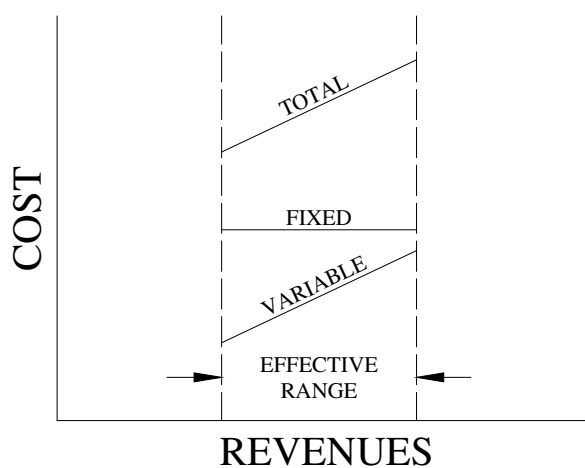
Fixed Costs



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Mixed Costs



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