California Polytechnic State University, San Luis Obispo
College of Architecture & Environmental Design
Construction Management Department
CM 335, Construction Accounting
Section 1, Winter Quarter 2014

Instructor: Gregory F. Starzyk, JD, MPM, CPC, Assoc. DBIA
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Email: gstarzyk@calpoly.edu
Office Hours: Tues 10:10 to 12:00 & 4:10 to 6:00 or Thurs 4:10 to 5:00
Class Days/Time: Mon. and Wed. 10:10 am to 12:00
Classroom: Building 186 Room B303
Prerequisites: CM 115, CM 232 and BUS 215

Course Description
Prerequisite: CM 115, CM 232, and BUS 215.

Fundamentals of construction accounting principles to include income recognition, job cost control, cash flow analysis and associated cost reports. 2 activities. Formerly CM 331.

READING MATERIAL

Required:

Recommended:

Basic calculator (Sharp EL-243SB, Texas Instruments TI-503 SV, or equal); or a
Financial Calculator (HP 10BII, HP 12C, Texas Instruments BAII Plus, or equal.)

Notebook computer with the following, or later, version of software installed: MS Word
2013, MS Excel 2013, and Adobe Reader 10.

ACCE TOPICAL CONTENT

All applicable ACCE Topic Content related to this course are listed below:

5.3 Construction Accounting and Finance
   5.31 Cost Accounting and Industry Formats
   5.32 Fixed and Variable Costs: insurance, bonding, marketing general &
   admin. expenses
   5.33 Bidding and Procurement Practices
   5.34 Record and Report Practices
   5.35 Capital Equipment, Depreciation and Expensing
   5.36 Forecasting Costs, Cash Flow Requirements
   5.37 Payment Processes and Time Value of Money

PROGRAM GOALS

All Cal Poly CM Department Program Goals for students are listed below. The Program
Goals which are most applicable and aligned to the Course Learning Objectives (CLO’s)
are highlighted in yellow:

1. Demonstrate a readiness and ability to perform in the construction industry.
2. Demonstrate an ability to apply problem-solving skills and integrate technical
   knowledge.
3. Demonstrate an ability to participate successfully within an interdisciplinary team
   environment.
4. Demonstrate an understanding of professional behavior, standards, and leadership
   attitudes.
5. Demonstrate an ability to communicate effectively, both orally and written, and
   professionally present ideas.
6. Demonstrate a propensity for life-long learning and service to the industry and
   community at large.

COURSE GOALS

As a result of this course, you should be able to:

• Comprehend basic accounting systems and transactions as applied to construction
  companies, with emphasis on elements that are unique to the construction
  industry; demonstrated through the mastery of learning objectives #1 through #10;
• Apply the knowledge and comprehension of basic accounting systems and transactions to the management of costs; profits, and cash flow in construction companies; demonstrated through the mastery of learning objectives #11 through #19;
• Distinguish between tax depreciation and financial depreciation, with emphasis on elements that are unique to the construction industry; demonstrated through the mastery of learning objectives #20 & #21; and
• Comprehend the basic financial instruments that are commonly used by construction companies and to apply the basic principles of time value of money to the evaluation of alternative financial instruments; demonstrated through the mastery of learning objectives #22 through #28.

LEARNING OBJECTIVES:

1. Appreciate the role of financial management in the construction industry;
2. Describe cash, accrual, completed contracts, and percentage of completion accounting methods;
3. Use general ledgers, job cost ledgers and equipment ledgers;
4. Build basic income statements and balance sheets as would be done by construction companies, while recognizing the purpose of equipment and other contra accounts;
5. Understand how transactions post to the income statement and balance sheet;
6. Extract financial ratios from financial statements and differentiate financial ratios for liquidity, leverage, efficiency and profitability;
7. Distinguish between cost reporting and cost management;
8. Calculate retainage, cost and profit in excess of billings; billings in excess of cost and profit; cost to complete, percentage complete, and variance;
9. Identify committed costs and non-committed costs;
10. Determine contribution margin, contribution margin ratio, break-even volume of work, break-even contribution margin ratio, profit & overhead margin, and gross profit margin.
11. Compare cash equivalents and allowances with reimbursements;
12. Compute employee take-home pay, employer payroll burdens, taxes and insurance costs and burden markup;
13. List general overhead costs and classify fixed and variable overhead;
14. Explain accounting processes for material purchases, labor costs, subcontractor costs, and equipment rental;
15. Discuss earned value analysis;
16. Appraise cash flow from operations, cash flow after income tax, net profit from operations, taxable income and income taxes;
17. Discriminate between tax deductions and tax credits;
18. Formulate basic personal and corporate income taxes and predict marginal tax rates;
19. Produce a cash flow projection and predict bank balances and total cash;
20. Assess straight-line, sum-of-the-years, 150% and double-declining balance
depreciation; the section 179 deduction; and know how to select an appropriate
recovery period;
21. Contrast financial depreciation with tax depreciation and the MACRS;
22. Evaluate interest and remaining principal for loans compounded at different
periods and rates;
23. Examine lines of credit with commitment fees or compensating balances;
24. Relate simple interest, discounting the interest, yield, annual percentage yield,
nominal interest rate and effective interest rate;
25. Label secured and unsecured financial instruments;
26. Prepare an amortization schedule;
27. Interpret capital leases and operating leases; and

ASSIGNMENTS

The importance of timely completion of reading assignments and job assignments cannot
be over emphasized. You learn construction accounting by doing it. Students who fail to
commit sufficient time to doing the work - the work is largely reading and job
assignments – are going to struggle to pass. **Commit at least 1-hour for reading
assignments and job assignments for every hour in class.**

The steps in the learning method are as follows:

- Complete the reading assignment;
- Participate in the classroom lecture and discussion on the reading assignment;
- Do the job assignment;
- Submit the job assignment for grading; and
- Participate in the classroom review of the job assignment solution(s).

Complete your reading assignment – generally one chapter from the textbook – **before class** on the “Reading Due” date shown in the Course Schedule.

Job assignments will consist of solving problems and answering questions related to a
particular reading assignment. You will be handed a job assignment in class. The job
assignment has your name on it and it is customized for you. Instructions will be printed
on your job assignment. You must bring your completed job assignment to class on the
“Job Assignment Due” date shown in the course schedule and post your answer to each
job assignment question to Poly Learn no later than the start of that class.

CLASSROOM PROTOCOL

Turn off your cell phones and other electronic devices. Engage other students in topical
discussion but save the social talk for other occasions. Do not sleep, twitter, do any social
networking, or otherwise digress during class. Above all, exhibit a professional
demeanor, behave courteously and respect others.

COMPONENTS OF GRADING

<table>
<thead>
<tr>
<th>Points</th>
<th>Component</th>
<th>Content/Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>Job Assignment 1</td>
<td>Depreciation</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 2</td>
<td>Depreciation</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 3</td>
<td>Accounting Systems and Financial Ratios</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 4</td>
<td>Accounting Systems and Financial Ratios</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 5</td>
<td>Accounting Transactions</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 6</td>
<td>Accounting Transactions</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 7</td>
<td>Managing Costs</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 8</td>
<td>Managing Costs</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 9</td>
<td>Managing Costs</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 10</td>
<td>Managing Costs</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 11</td>
<td>Managing Profits</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 12</td>
<td>Cash Flow &amp; Income Tax</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 13</td>
<td>Cash Flow &amp; Income Tax</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 14</td>
<td>Financing</td>
</tr>
<tr>
<td>50</td>
<td>Job Assignment 15</td>
<td>Financing</td>
</tr>
<tr>
<td>(150)</td>
<td>Forbearance</td>
<td>Drop 3 lowest Job Assignment grades</td>
</tr>
<tr>
<td>100</td>
<td>Participation and Performance</td>
<td>Professor’s Observation</td>
</tr>
<tr>
<td>300</td>
<td>Final Exam</td>
<td>Comprehensive</td>
</tr>
<tr>
<td>1,000</td>
<td>Total Points Possible</td>
<td></td>
</tr>
</tbody>
</table>

LATE/MISSED WORK and MAKE-UP POLICY

Complete your reading assignment before the “Reading Due” date on the course schedule.

Post your job assignment solutions to Poly Learn no later than the start of class on the “Job Assignment Due” date on the Course Schedule. Late postings are subject to grade reduction.

The final exam will be given on the last day of class. You must petition me, in writing, in advance of the final exam if you have a justifiable reason for not taking the final on its scheduled date.
GRADING SCALE

I will grade the job assignment solutions that you post to Poly Learn. I will not grade your written job assignment solutions unless you submit a responsive Request for Reevaluation. (See “Homework Submission Policy”). I will drop your three lowest job assignment grades. I will retain the remaining twelve.

Participation and Performance points are earned for active classroom participation and satisfactorily performance with classroom activities and exercises.

Your final exam will consist of multiple choice, true/false, problems and short essay questions. You will be able to complete it within two hours. The final exam is closed book and closed notes. Laptop computers or PDAs are not allowed.

I will determine the final letter grade that you receive in the course through a cumulative process of evaluating grade component points, participation, attendance, academic integrity and other subjective factors.

<table>
<thead>
<tr>
<th>Letter Grade</th>
<th>Percentage</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>93-100%</td>
<td>Excellent Work</td>
</tr>
<tr>
<td>A-</td>
<td>90-92%</td>
<td>Nearly Excellent Work</td>
</tr>
<tr>
<td>B+</td>
<td>87-89%</td>
<td>Very Good Work</td>
</tr>
<tr>
<td>B</td>
<td>83-86%</td>
<td>Good Work</td>
</tr>
<tr>
<td>B-</td>
<td>80-82%</td>
<td>Mostly Good Work</td>
</tr>
<tr>
<td>C+</td>
<td>77-79%</td>
<td>Above Average Work</td>
</tr>
<tr>
<td>C</td>
<td>73-76%</td>
<td>Average Work</td>
</tr>
<tr>
<td>C-</td>
<td>70-72%</td>
<td>Mostly Average Work</td>
</tr>
<tr>
<td>D+</td>
<td>67-69%</td>
<td>Below Average Work</td>
</tr>
<tr>
<td>D</td>
<td>60-66%</td>
<td>Poor Work</td>
</tr>
<tr>
<td>F</td>
<td>0-59%</td>
<td>Failing Work</td>
</tr>
</tbody>
</table>

Construction Management Department Policies

Homework Submission Policy

Request for Reevaluation - A written job assignments serves two purposes: 1) it facilitates classroom review of the job assignment and 2) you can submit it to me for reevaluation of your grade. I will reevaluate your job assignment grade but only if you provide me with the following:

1. A cover sheet with your reason for requesting a reevaluation;
2. Your original job assignment handout attached; and
3. Your problem solution work, legibly printed, and attached.

Request for reevaluation must be submitted within one week of the date that your Poly Learn posting was graded.

The importance of timely completing your reading assignments and job assignments cannot be over emphasized. **Commit at least one (1) hour of study for every hour in class.**

**Laptop Policy**

The Construction Management Department requires all students to have a notebook computer. Financial aid may be available to cover the cost of the computer laptop. For more information contact the Cal Poly [Financial Aid Office web site](#).

**Academic Dishonesty Policy**

I will enforce the Cal Poly academic dishonesty policies including, but not limited to, those on cheating and plagiarism. University policy is, simply put: *As a student, you are responsible for your own work and you are responsible for your actions.* I encourage you to review the formal policy on cheating and plagiarism (including definitions, sanctions, and appeal procedures).

**Rights and Responsibilities of Individuals**

This course will adhere to the University Policies including, but not limited to, the Policies on the Rights of Individuals, Academic Freedom, and Student Academic Rights & Responsibilities.

**FERPA Rights**

This course follows the guidelines pursuant to the Federal Education Rights and Privacy Act (FERPA). FERPA confers substantive privacy rights and duties, among others: I can only discuss your grades with you in person; I can neither email your grades nor discuss them with you over the phone; and you alone and not any others may pick up your exams. I may call on you by name. If you prefer that I not use your real name, you must notify me beforehand, in writing.

**University Policies**

**Attendance Requirement and Make-Up Policy:**

You are responsible for knowing the Cal Poly academic program policies on attendance, found at the following link: [Class Attendance Policy](#). Attend all class sessions, arrive on time, do not leave early, and if you have to be absent or late, have a justifiable reason and inform me by email as soon as possible.
Add/Drop Policy:

Cal Poly policies, procedures, and schedule for dropping or adding classes can be found at the following link: Add/Drop Policy.

Academic Integrity:

You are responsible for knowing the Cal Poly academic program policies on academic honesty, found at the following link: Academic Honesty Policy.

Students with Disabilities:

Persons who wish to request disability-related accommodations should contact the Disability Resource Center in Building 124, Room 119. Phone: (805) 756-1395 or (805) 756-6266 (TTY). Office hours are Monday-Friday from 8:00 AM – 4:30 PM. Some accommodations may take up to several weeks to arrange. If you are a student with a disability, please visit the following link, DRC Web Site, and consider discussing your needs and possible accommodations with me as soon as possible.

Technical Support Contact Information

Help with PolyLearn is available at the following link, PolyLearn Student Support Web Site.

Campus Resources to Support Student Learning

Programs and resources, such as those found at the following link Cal Poly Student Academic Services Web Site, are available to assist students during their academic studies at Cal Poly.

(end of syllabus)
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Reading Due</th>
<th>Job Assignment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-Jan</td>
<td>M Introduction to the Course</td>
<td></td>
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</tr>
<tr>
<td>8-Jan</td>
<td>W Depreciation</td>
<td>Chapter 1</td>
<td>Job 1</td>
</tr>
<tr>
<td>13-Jan</td>
<td>M Chapter 5</td>
<td>Chapter 5</td>
<td>Job 2</td>
</tr>
<tr>
<td>15-Jan</td>
<td>W Accounting Systems and Financial Ratios</td>
<td>Chapter 2</td>
<td>Job 2</td>
</tr>
<tr>
<td>20-Jan</td>
<td>M Holiday</td>
<td></td>
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<tr>
<td>21-Jan</td>
<td>T Chapter 6</td>
<td>Job 3</td>
<td></td>
</tr>
<tr>
<td>22-Jan</td>
<td>W Accounting Transactions</td>
<td>Chapter 3</td>
<td>Job 4</td>
</tr>
<tr>
<td>27-Jan</td>
<td>M Chapter 4</td>
<td>Chapter 4</td>
<td>Job 5</td>
</tr>
<tr>
<td>29-Jan</td>
<td>W Managing Costs</td>
<td>Chapter 7</td>
<td>Job 6</td>
</tr>
<tr>
<td>3-Feb</td>
<td>M Managing Profits</td>
<td>Chapter 8</td>
<td>Job 7</td>
</tr>
<tr>
<td>5-Feb</td>
<td>W RENO - No Class</td>
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<tr>
<td>10-Feb</td>
<td>M Chapter 9</td>
<td>Job 8</td>
<td></td>
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<tr>
<td>12-Feb</td>
<td>W Managing Profits</td>
<td>Chapter 10</td>
<td>Job 9</td>
</tr>
<tr>
<td>17-Feb</td>
<td>M Holiday</td>
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<tr>
<td>19-Feb</td>
<td>W Chapter 11</td>
<td>Job 10</td>
<td></td>
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<tr>
<td>24-Feb</td>
<td>M Cash Flow &amp; Income Tax</td>
<td>Chapter 12</td>
<td>Job 11</td>
</tr>
<tr>
<td>26-Feb</td>
<td>W Chapter 13</td>
<td>Chapter 13</td>
<td>Job 12</td>
</tr>
<tr>
<td>3-Mar</td>
<td>M Financing</td>
<td>Chapter 14</td>
<td>Job 13</td>
</tr>
<tr>
<td>5-Mar</td>
<td>W Chapter 16</td>
<td>Chapter 16</td>
<td>Job 14</td>
</tr>
<tr>
<td>10-Mar</td>
<td>M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12-Mar</td>
<td>W Final Exam, Wednesday March 12 from 10:10 am to 12:00, Room 186-B303</td>
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