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When I met recently with the partners of a client firm, I asked them a simple question: "Do you know who your best client is?" All three partners named the same client, XYZ Company. When I asked why, they told me XYZ brings in the most new projects each year and a significant portion of the billing (nearly 40 percent) was from those projects. I then asked, "What would happen if you fired XYZ Company?

How would you feel?" I could see a big surprise in their eyes and total rejection of my

The problem our client had was that their biggest client was utilizing 70 percent of their staff hours while the fees paid were a fraction of that. The result was a very low average effective rate. To make it worse, this big customer was keeping the company so busy that they did not have time to market their services to other potential clients.

By implementing project accounting practices, this client had the power to transform their business. With the right tools, project accounting is both viable and profitable for all accounting firm practice areas. We will explain why later in this article, but first we should expand on our definition of project accounting.

How Do Standard Accounting and Project Accounting Differ?

While standard financial accounting is essential for the health of your business, project accounting helps drive the success of individual engagements. Project accounting is more about the details – and viability – of every single active and inactive project at your firm.

Time frames are a major difference between the two accounting practices. Your firm likely reviews financials on a monthly or quarterly basis, but your projects may be completed in a matter of weeks or a few months. Consequently, project accounting requires that you measure profits and losses, utilization, margins, earned value and other variables on a much more frequent basis.

With the right tools in place at your firm, project accounting allows you to monitor everything in real time, instead of at the end of the month or quarter. This shorter time frame gives you more control over smaller decisions – which often can be the ones with the biggest outcomes.

Moreover, when your firm starts practicing project accounting, employees that are lower down on the organizational chart will get the opportunity to get involved in the decision-making process and will have a greater responsibility for the success of the project. Your senior associates and managers must monitor everything since they

accounting procedures include:

1. Getting the information you need to increase efficiency and profits. This is the guiding rationale behind project accounting, and it is applicable to everyone from solo practitioners to large firms. Tracking data on the project level gives you the ability to pinpoint – and make the most of – sources of profit, while actively identifying issues before they become real problems.

For example, if you can see margins are eroding when the project is only 30 percent complete, you have time make changes to improve the outcome of the project. There are so many more insights you can get, from who your highest-performing employees are to which types of projects your firm should focus on. The right project accounting tools can give you the data you need to both take note of minute changes and understand large trends.

2. Empowering your staff. When your staff manages the day-to-day financials and key performance indicators for their projects, they become responsible for profitability. Each manager or senior associate becomes the CEO of his or her project.

Most employees are thrilled to have the reins in their hands and consider it a sign of trust. Moreover, with their performance and incentives more closely tied to project profits, your firm will likely see an uptick in both.

3. Cultivating collaboration. In the old ways of doing business, it seemed beneficial for one part of the team to focus on the tasks at hand while letting managers worry about the bigger picture. In this way, people and information were stuck in silos and holding both the team and the firm back. If your firm has greater visibility and can move information freely, you can increase performance on individual projects *and* get everyone to contribute to the bigger strategy of your firm.

More visibility does not have to entail chaos. Rather, everyone becomes invested.

Project accounting offers remarkable benefits such as increased profits and improved productivity, but it may seem daunting to change business practices. Involving more stakeholders and more data analysis may not sound simple, and if you are a solo practitioner or a member of a small firm, you might think you do not have the bandwidth to undertake this.

However, with the right tools, it is surprisingly straightforward. With the right tool, all the disparate data you need, such as for invoicing, time and expense entries, accounting, project management and business intelligence, can be unified. Your goal should be to equip yourself with the right tools, so you can spend your time growing your business.

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Shafat Qazi founded BQE Software in 1995 to simplify the lives of millions of service professionals. An engineer by trade, he was acutely aware of the pain professional service firms endure when it comes to billing, accounting, time tracking, and project management. This drive led him to create BQE's first product, BillQuick, in his garage. Two decades later, although he oversees a global enterprise, Shafat has never forgotten his roots and remains at the vanguard of customer-driven innovation at BQE. He holds a master's in structural engineering from the University of New York and a bachelor's degree from the National Institute of Technology (NIT).

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