



Manage Finances

Accounting as a System

How A/E Firms Gain Control of Projects, Profitability, and
Cash Flow Through Connected Financial Operations

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Introduction: The Financial Engine of an A/E Firm

Accounting is often treated as something that happens after the work is done. Reports are produced, numbers are reviewed, and questions get asked once the period has closed. That approach creates distance between your operations and your financial reality.

In a project-based business, accounting plays a far more central role. It determines how clearly you can see performance while work is still in motion. When accounting is disconnected from how your projects are planned, staffed, and delivered, decision-making slows down and confidence in the numbers starts to erode because they do not reflect what is actually happening on the ground.

As a firm leader, you already understand the fundamentals of revenue, cost, and profit.

What matters is how those fundamentals show up in your day-to-day systems. In many firms, accounting lives in a separate environment from project management and time tracking. Financials then become a delayed summary of activity instead of a live view of performance. By the time issues appear in reports, they are already embedded in the work.

You may recognize the symptoms. Projects appear healthy until the final invoice tells a different story. Margins decline gradually without a clear signal. Cash flow tightens even when backlog remains strong. These patterns are not random. They reflect a disconnect between financial data and operational activity.

Stronger firms take a different approach. They treat accounting as part of the operational workflow. Time and expenses feed directly into project financials. Revenue reflects progress as work is delivered. Work in progress represents real activity rather than delayed inputs. Financial data becomes something you can use to guide decisions in real time, not just review after the fact.

The system behind this matters. An integrated approach connects accounting with project management, billing, and reporting in a single environment. It

Accounting should give you a live view of how the business is performing, not just a record of what already happened. When your financial system is integrated with project operations, you can see problems sooner, respond faster, and lead with more confidence..

— Matt Cooper, CEO, BQE

reduces handoffs, eliminates delays, and creates a consistent source of truth across your firm. The benefit extends beyond cleaner financials. You gain the ability to act with confidence because the numbers reflect current conditions.

When accounting is structured this way, it becomes a tool for control. It gives you a clear view of performance, supports better decisions, and keeps your business aligned with how work is actually delivered. Everything that follows builds on that foundation.

**Does your data
drive decisions?**



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Project Accounting as the Control System

If accounting is the operating system of your firm, project accounting is where it becomes useful in day-to-day decision-making.

You likely review your financials on a regular basis. A monthly profit and loss statement tells you whether the firm is performing as expected. A balance sheet shows your overall financial position, including cash, receivables, and liabilities. These are essential views, but they operate at a high level. They confirm outcomes. They do not explain how those outcomes are being created across your projects.

To manage performance more effectively, you need to move closer to the work itself, aided by a platform that bridges project management and financial management.

Project accounting provides that visibility by treating each project as its own financial unit. Instead of waiting for month-end reports, you can see revenue, cost, and margin as work progresses (WIP). This allows you to identify issues early and make adjustments while there is still time to influence the outcome. For this to work, a few core practices need to be in place.

The first is consistent and timely time tracking.

Time data should be entered daily and reviewed weekly. This creates a reliable view of labor cost, which is the primary driver of profitability in most A/E firms. Without accurate time data, every downstream report becomes less useful. You lose visibility into how effort is translating into cost and whether that cost aligns with the fee.

The second is real-time visibility into work in progress (WIP).

WIP represents billable work that has been completed but not yet invoiced. You should be reviewing WIP regularly, ideally on a weekly basis, alongside project managers. A **WIP report** shows how much value has been created, what is ready to bill, and where billing may be lagging. Large or aging WIP balances often point to delays in invoicing, scope uncertainty, or internal bottlenecks. Addressing these early improves both cash flow and project outcomes.

The firms that manage projects well financially are the ones that treat time, expenses, budgets, and WIP as part of a single control system. When those inputs are timely and consistent, project leaders can make better decisions before margin slips away.

— Dan McCormick, CRO, BQE

The third is project-level profitability tracking.

Instead of relying only on firm-wide margins, you should be reviewing project profit and loss reports or project margin reports throughout the lifecycle of a job. These reports show:

- Budget vs actual labor and cost
- Percentage of fee consumed
- Remaining budget vs remaining work

This is where you can see whether a project is trending in the right direction. If labor is being consumed faster than expected, or if write-offs are increasing, those signals should trigger immediate conversations around staffing, scope, or billing.

A fourth practice is establishing a consistent project setup structure.

Every project should follow a standardized format with defined phases, budgets, and cost categories. This allows you to compare performance across projects and identify patterns over time. Without consistency, reporting becomes fragmented and difficult to interpret.

These practices come together in a simple operating rhythm for project-level accounting.

On a weekly basis, you and your team should be reviewing:

- Time entry completeness
- WIP and billing readiness
- Project-level budget vs actual performance

On a monthly basis, you should connect those project-level insights back to firm-wide financials:

- Profit and loss statement for overall performance
- Balance sheet for cash position and receivables
- Accounts Receivable (AR) aging to monitor what is due
- Accounts Payable (AP) aging to monitor what is owed

This creates a closed loop between operations and accounting. Project activity feeds financial data. Financial data informs decisions. Decisions improve project outcomes.

The system you use plays a significant role in how effective this process becomes. When time tracking, project management, and accounting are disconnected, these reviews require manual effort and reconciliation. Data is often delayed or inconsistent. When these elements are integrated, the flow of information becomes automatic. Reports reflect current conditions, and the conversation shifts from gathering data to acting on it.

At that point, project accounting becomes more than a reporting function. It becomes a control system that allows you to manage performance across your firm in real time.

Revenue, WIP, and Cash Flow Alignment

Revenue, WIP, billing, and cash flow are closely connected in an A/E firm, but they do not move at the same pace. That gap is where many firms lose clarity.

You can be delivering strong work, keeping teams busy, and still feel pressure on cash. In most cases, the issue is timing, rather than demand for your services. Work is completed, but revenue is not recognized. Revenue is recognized, but invoices are delayed. Invoices are sent, but collections lag. Each step introduces friction, and over time that friction compounds.

To manage this effectively, you need to align three things: how work is delivered, how revenue is recognized, and how billing is executed.

Revenue Recognition

As a firm leader, you should have a clear understanding of how and when your firm recognizes revenue. In many firms, revenue follows billing. That approach is simple, but it creates a distorted view of performance because financials lag behind actual project progress. A more accurate approach aligns revenue with delivery, recognizing income as work is completed rather than when invoices are sent.

For fixed-fee projects, this often means using a percent complete method. As work progresses, a portion of the total fee is recognized based on how much of the project has been delivered. For time and materials work, revenue typically aligns more directly with time and expense entries. The key is consistency. Your method should reflect how value is being created and should be applied in a way that produces a reliable view of performance.

Revenue does not break down because of one big mistake. It drifts when small delays stack up across WIP, billing, and approvals. If you are not reviewing WIP consistently and tying it directly to billing decisions, you are leaving revenue in limbo and cash flow to chance.

— Lucas Gray, Business Advisor and Director of Content at BQE

WIP

Once revenue is aligned with delivery, WIP becomes a much more useful signal.

WIP represents work that has been completed but not yet billed. You should review WIP regularly, not just as an accounting report but as an operational tool. A WIP aging report helps you see how long work has been sitting unbilled. If WIP is building up or aging beyond your normal billing cycle, it often points to delays in invoicing, uncertainty around scope, or internal approval bottlenecks.

A practical cadence is to review WIP weekly with project managers and ask a simple question: what is ready to bill right now? This keeps billing aligned with progress and prevents revenue from getting stuck in the system.

Billing

Billing discipline follows from this. Invoices should be generated promptly once work is ready. Many firms fall into a pattern of batching invoices at the end of the month or delaying billing until internal reviews are complete. That delay pushes revenue recognition, slows collections, and creates unnecessary pressure on cash flow.

You can improve this by establishing clear billing triggers. For example:

- Bill at defined project milestones
- Bill when WIP reaches a certain threshold
- Bill on a consistent schedule, such as bi-weekly or monthly without delay

Once invoices are sent, the next focus is collections.

Collections

An accounts receivable aging report should be reviewed at least monthly, and often weekly for larger firms. This report shows how long invoices have been outstanding and highlights where follow-up is needed. The Average Collection Period, or Days Sales Outstanding, across the industry is about 49.4 days for architecture firms and 57 days for engineering firms based on BQE's 2025 Benchmarking Reports. Aging beyond 60 or 90 days should trigger immediate action, whether that is client communication, revised billing practices, or tighter contract terms.

You and your team should be constantly strategizing and working to bring down your accounts receivable and driving down the average Days Sales Outstanding. This will help solve most cash flow issues.

Tracking these metrics and working to reduce them, create a more predictable revenue cycle. You are recognizing revenue as work is completed. You are

converting WIP into invoices without delay. You are monitoring receivables and taking action early. Each step reinforces the next, reducing uncertainty and improving cash flow.

Financial Management System

The system supporting this process matters.

When revenue recognition, WIP tracking, billing, and receivables are managed across separate tools, alignment becomes difficult. Data has to be reconciled. Timing differences create confusion. Reports require interpretation before action can be taken. In an integrated system, these elements are connected. Revenue reflects project progress. WIP flows directly into billing. Invoices update receivables automatically. The entire cycle becomes more transparent and easier to manage.

When these pieces are aligned, you gain a clearer view of performance and a more consistent flow of cash through the business.

**Flip the formula so
profit comes first**



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Closing the Loop: Controls, Reporting, and KPIs

Strong project accounting and disciplined billing, coupled with an integrated accounting and firm management platform, create visibility. What turns that visibility into control is consistency.

Without a clear reporting structure and cadence, even good data becomes difficult to act on. Numbers get reviewed inconsistently. Different teams rely on different reports. Decisions are made based on partial or outdated information. Over time, that lack of alignment reduces confidence in the financials and slows down the organization.

To close the loop, you need three things working together: a reliable close process, clear financial controls, and a focused set of metrics that guide decisions.

The close process

The goal of your month-end close is not simply to finalize the books. It is to produce timely, accurate information that reflects how the business performed while the details are still fresh. A close that takes several weeks limits your ability to respond. By the time you review the numbers, the next month is already underway and any corrective action is delayed.

A practical target for many firms is to complete the close within a few days. This requires a structured process:

- Ensure all time and expenses are entered and approved
- Review WIP and confirm billing decisions
- Reconcile key accounts, including cash and receivables
- Finalize journal entries and adjustments

Once complete, the financials should be stable and ready for review.

A fast close and a focused reporting cadence give you more than cleaner books. They give you usable information while it still matters. When your periods are controlled and your KPIs are tied to real decisions, accounting becomes a management discipline.

— Scott Hanyen, CFO, BQE

Financial controls

This is where accounting controls become critical.

You should be operating with defined accounting periods that are opened, locked, and closed on a consistent schedule. This prevents late entries from quietly altering prior results and ensures that each reporting period remains comparable. When periods remain open indefinitely, financial reports can shift over time, making it difficult to trust trends or hold teams accountable for results.

In practice, this means:

- Locking prior periods once the close is complete
- Restricting who can make adjustments
- Clearly separating transaction dates from accounting dates
- These controls are not about restriction. They protect the integrity of your data so that when you review a report, you know it reflects a finalized view of performance.
- With that foundation in place, reporting becomes more effective.
- At a minimum, you should have a consistent monthly review that includes:
- Profit and Loss Statement to understand overall performance and margin trends
- Balance Sheet to assess financial position, including cash and liabilities
- Cash Flow or Cash vs Revenue view to understand how profit is translating into cash
- Accounts Receivable Aging to monitor collections
- WIP Report to track unbilled work and billing readiness

These reports should not change from month to month. Consistency allows you to identify patterns and spot deviations quickly. Further, you shouldn't look at the numbers for just the most recent period. You have to compare periods to spot trends. For instance, instead of just looking at last month's Profit & Loss report, look at the monthly results for the past 12 months.

Financial Metrics

Beyond these core reports, a focused set of KPIs helps guide decisions.

You do not need dozens of metrics. A small number of well-chosen indicators will provide more clarity than a large, complicated dashboard that tries to cram too much information on it. In A/E firms, the most useful KPIs are tied to how labor is converted into revenue and profit.

You should be regularly reviewing:

- Net Multiplier to understand how effectively direct labor is generating revenue
- Breakeven Multiplier to see how your direct labor is covering all operating expenses
- Realization Rate to measure how much of your work is actually billed and collected
- Profit margin to see whether the effort and risk is generating the right financial returns

These metrics are interconnected. Looking at them together provides a more complete picture of performance and reduces the risk of optimizing one area at the expense of another.

Cadence

The final piece is the rhythm of your accounting processes.

Daily and weekly activities keep data current. Monthly reporting provides a structured review of performance. Quarterly reviews allow you to step back and assess trends, adjust staffing, refine pricing, and make broader strategic decisions.

When this cadence is in place, accounting becomes a continuous feedback loop. Data flows from projects into financials. Financials are reviewed consistently. Insights lead to action. Action improves performance.

The system supporting this process determines how easy or difficult it is to maintain. When reporting relies on multiple disconnected tools, consistency becomes harder to sustain. Reports take longer to produce, and alignment across teams becomes more challenging. In an integrated environment, reporting is standardized, data is aligned, and the focus shifts from assembling information to making decisions.

At that point, accounting is no longer just a record of what happened. It becomes a reliable system for guiding what happens next.

Conclusion: From Financial Reporting to Business Control

At a certain point, improving financial performance stops being about working harder and starts being about seeing more clearly. The goal is to reach this point at your firm as soon as possible.

You already have the core pieces in place. You have a talented team and projects are being delivered, creating value for your clients. Time is being tracked and invoices are being sent. Reports are being reviewed by the right people. The opportunity is in how these pieces connect.

When accounting operates separately from the rest of the business, it provides a delayed view of performance. You see the outcome after decisions have already played out. That creates a reactive cycle where issues are identified late and addressed after the impact is already felt.

As you bring accounting closer to operations, that dynamic begins to shift.

Project-level visibility allows you to see how work is performing as it progresses. Revenue recognition aligned with delivery gives you a more accurate view of financial health. WIP and billing discipline keep value moving through the system instead of getting stuck. A faster close and consistent reporting cadence ensure that decisions are based on current information. A focused set of KPIs provides clear signals on where to act.

Individually, each of these practices improves a specific part of the business. Together, they create a connected system.

In that system, operational activity and financial performance move in sync. The data you review reflects the work your teams are doing right now. Conversations shift from explaining results to improving them. Decisions become more proactive, and outcomes become more predictable.

Better performance rarely comes from chasing more data. It comes from building a connected system where projects, accounting, billing, and reporting all support each other. Once that foundation is in place, the numbers become clearer and the right actions become easier to see.

— Matt Cooper, CEO, BQE

The role of accounting expands as a result. It becomes a tool for managing performance, not just measuring it.

The firms that operate this way tend to share a common characteristic. Their systems are integrated. Project management, time tracking, billing, and accounting exist within a single environment. Data flows naturally from one stage to the next without manual intervention or delay. Reporting is consistent, and the numbers are trusted across the organization.

This is what allows leaders to move with confidence.

You are no longer piecing together information from different sources or waiting for reports to catch up. You have a clear, current view of how the business is performing and where to focus next.

That is the shift. Accounting becomes part of how you run the firm every day.

Want to know more about integrated accounting in BQE CORE?

Stop managing your firm across multiple systems. BQE CORE replaces disconnected tools with one integrated platform so your projects and financials stay in sync.

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A/E Accounting Setup Checklist

✓ — Practical Steps to Strengthen Financial Control and Visibility

- ✓ — Use this checklist to evaluate how your firm operates today and identify where to improve. Each item reflects a practice that helps connect accounting with project delivery and decision-making.

Project Financial Visibility

- Every project is set up with a consistent structure (phases, budgets, cost categories)
- Project managers can view real-time budget vs actual performance
- You review project profitability before projects are completed, not after
- Financial performance is evaluated at the project level, not just firm-wide

Time and Expense Discipline

- Time is entered daily or at least weekly by all billable staff
- Time and expenses are reviewed and approved on a consistent schedule
- Labor costs flow directly into project financials without manual rework
- You trust your time data as an accurate reflection of effort and cost

WIP and Billing Control

- You review WIP on a weekly basis with project leaders
- You have a clear understanding of what is ready to bill at any given time
- WIP aging is monitored and addressed before it becomes a problem
- Billing follows defined triggers (milestones, thresholds, or schedule)
- Invoices are sent promptly once work is ready

Revenue and Cash Flow Alignment

- Revenue is recognized in a way that reflects project progress
- Fixed-fee projects are tracked against percent complete or similar method
- You regularly review accounts receivable aging and take action on delays
- You monitor how long it takes to convert work into cash (WIP + AR cycle)

Financial Close and Controls

- Month-end close is completed within a few days, not weeks
- All time, expenses, and billing are finalized before closing the period
- Accounting periods are locked after close to preserve reporting integrity
- You have clear controls over who can adjust financial data and when

Reporting and Decision Cadence

- You review financials on a consistent monthly schedule
- Your reporting package includes: Profit and Loss, Balance Sheet, WIP Report, AR & AP Aging
- Reports are consistent month to month for easy comparison
- Financial reviews lead to clear actions, not just discussion

KPIs That Drive Performance

- You track a focused set of KPIs tied to profitability, not just activity
- You regularly review: Net Multiplier, Payroll Multiplier, Realization Rate, Overhead Rate
- You understand how these metrics relate to each other
- KPI insights lead to decisions around staffing, pricing, or project selection

Systems and Integration

- Time tracking, project management, billing, and accounting are connected
- Financial data flows automatically from project activity
- You are not relying on spreadsheets to bridge gaps between systems
- Reports reflect real-time conditions without manual reconciliation
- Your system provides a single source of truth across the firm

Explore More Resources

Running a better architecture or engineering firm takes more than experience. It requires clear insight, practical tools, and guidance you can trust. This is where we can help. Our resource library is built for firm leaders who want to improve financial performance, strengthen project delivery, and make more confident decisions. Inside, you will find webinars that turn complex topics into clear actions, articles that challenge how firms operate and grow, and reports and ebooks grounded in real data and experience.

You can also put ideas into practice with tools, templates, and checklists designed for immediate use, connect with peers through user groups, and learn from real customer success stories. Every resource is created with one goal in mind: to help you run a better firm. Explore what is most relevant to you and take the next step forward

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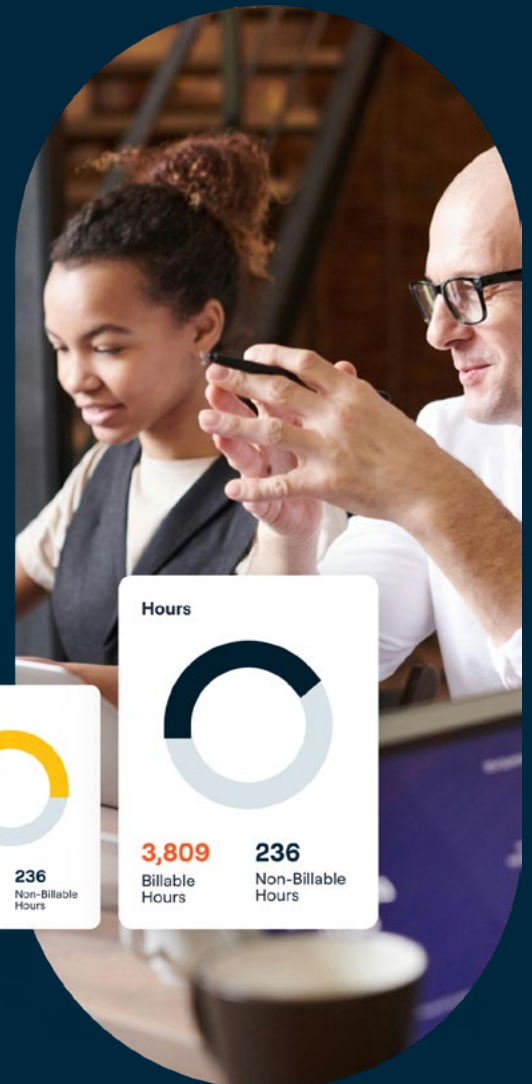
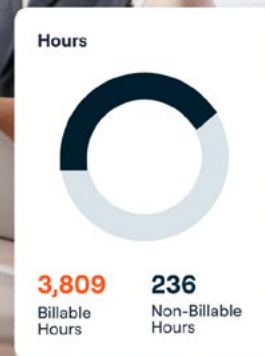
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BQE CORE

If you're serious about improving efficiency and profitability, you need access to technology that makes the process of tracking Key Performance Indicators (KPIs) straightforward. BQE CORE is an all-in-one firm management platform with integrated accounting and project management tools that's backed by a company with over 30 years of experience and countless end users worldwide. It was designed by an engineer and architect to give their firms the tools they needed to thrive. Thus all of the built-in features are designed to address the pain points A/E firms typically face.

BQE CORE can streamline your business processes, while simultaneously providing groundbreaking insights that will help grow your firm, all from the convenience of a desktop computer, laptop, or mobile device. BQE CORE makes it easier than ever to collaborate with both your team and clients.

Running your business should be exciting, not chaotic. That's why we're here, and most importantly, why we developed CORE.



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