**FINANCIAL AND BUSINESS MANAGEMENT FOR ROAD CONTRACTORS**

**MODULE THREE SESSION ONE PARTICIPANTS’ NOTES**

**INTRODUCTION TO MANAGEMENT REPORTING**

1. **Module objectives**

To enable trainees appreciate the importance of budgeting, management accounting and reporting, budgetary control systems including budgeting process and operation.

1. **Session objectives**

To explain the nature of management/reporting, types of reports, and their role in road construction business.

1. **What is management accounting and reporting**

Management reporting is concerned with regular provision of information to decision-makers within an organization to support them in their day to day work. These reports may not have any specific format. The nature and content may be determined by the decision-makers and other stakeholders. The reports may take the form of graphs, notes whether hand written, text and tables and, could be relayed by intranet, email, by hand or even orally. These reports are for internal use only, for departments and the Chief Executive.

1. **Purpose of reports**

Management reports serve two primary purposes, the first one is to keep management informed of what is going on so as to make appropriate decisions and the second is to facilitate control of events in order to achieve set targets.

Management reports typically show:

1. The amount of available cash, and future cash requirements,
2. Works progress report
3. Revenues generated,
4. Amount of orders in hand or expected,
5. State of accounts payable
6. State of accounts receivable
7. Outstanding debts
8. Raw materials available, used, required
9. Trend charts for any accounts
10. Variance analysis
11. Labour reports
12. Periodic certified works
13. Milestones or key performance indicators (KPIs)
14. **Purpose of reports**

Owners of construction firms are continually looking ahead to test whether objectives are being met or what challenges need to be overcome. Regular reporting allows a quick control action and better decision making.To be able to ensure success and achievement of goals they must be fast, real-time, accurate information, to facilitate strategic business analysis and decision. Management reports also track performance on key performance indicators and variables such as labour productivity, works mileage and unit cost. Besides provision of information to management to evaluate organizational performance, these reports also facilitate decision making by other stakeholders such as financiers. A key role of reports is to monitor cash flow and cash needs on a regular basis.

1. **What is reported on:**

Management reporting systems are used to track a variety of variables financial and nonfinancial, that are of concern to management, such as:

1. Employee headcount
2. Accounts payables
3. Accounts receivables
4. Status of assets and their utilisation
5. Money received and paid, from whom, for what
6. Progress on bidding
7. Profitability
8. Work in progress
9. **Reporting frequency**

There is no prescribed timing, it depends on management needs. Some reports for critical issues such as cash are on a daily basis while statutory reports are done on an annual basis. The frequency may be:

1. Daily; for cash balances and materials status
2. Weekly; for road works materials and machine usage
3. Monthly; for productivity reports
4. Monthly for work in progress
5. Quarterly; for profitability and investments
6. Statutory corporate reports annually.
7. **Who is responsible for reporting?**

All supervisory staff must make relevant reports.

1. Site foreman
2. Machine operators
3. Staff in charge of bidding
4. Accountants
5. Cashiers
6. Stores
7. Clerks
8. Engineers …
9. **Group Activity: discussion and presentation**
* Relevance and challenges of regular reporting in micro construction firms. What reports and information are expected at the site office on a day to day basis.
* Identify reports that would have been relevant for Munaku.
* Assuming 10kms have been constructed in the first six months outline issues to appear in the management report and for what purpose.
* Draft a site report relating to operations of Munaku on any typical day.
* Prepare a sample monthly report on labour, materials and cash on Munaku project.