

PRACTITIONER'S GUIDE

Construction Chart of Accounts

How a clean COA enables every KPI on your scorecard — with annotations tying each section to the metrics that depend on it.

Most construction owners inherit a Chart of Accounts built for tax filing, not for running the business. The result: gross margin per job is unknowable, labor productivity is invisible, and every KPI on your scorecard reads as “unable to compute.” A purpose-built COA is the foundation. Here is the structure we deploy in the first 60 days of every Local Fractional engagement.

1000 Assets	
1010	Operating Cash The base of your DSO and Days-to-Cash KPIs
1020	Money Market / Reserves Reserved cash that backs the “Weeks of Payroll” buffer
1100	Accounts Receivable — Trade Drives DSO directly
1110	Accounts Receivable — Retainage Isolated so AR aging isn't distorted
1200	Work in Progress (WIP) The backbone of WIP Slippage tracking
1300	Inventory — Materials Used in Working Capital Cycle calculation
1400	Prepaid Expenses
1500	Equipment & Vehicles
1510	Accumulated Depreciation

3000 Equity	
3010	Owner's Capital
3020	Retained Earnings
3030	Owner Distributions

2000 Liabilities	
2010	Accounts Payable — Trade Pairs with DSO to compute Cash Conversion Cycle
2020	Accounts Payable — Subcontractors Isolated to track sub aging separately
2100	Accrued Payroll & Burden Captures true labor cost for productivity metrics
2200	Customer Deposits / Overbillings The other half of WIP Slippage
2300	Line of Credit
2400	Long-Term Debt

4000 Revenue (by service line)	
4100	New Construction Revenue Enables service-line gross margin
4200	Renovation / Remodel Revenue Different margin profile, must be separated
4300	Service & Repair Revenue The recurring side of the business
4400	Change Order Revenue Drives the Change Order % KPI
4500	Materials Markup Revenue Reveals the often-hidden material profit center

6000 Operating Expenses (Overhead)	
6100	Indirect Labor (PMs, estimators, admin) Kept OUT of 5000s so gross margin stays clean
6200	Office Rent & Utilities
6300	Marketing & Advertising
6400	Insurance — GL & Workers Comp (overhead)
6500	Software & Technology
6600	Professional Fees (legal, accounting, fractional CFO)
6700	Vehicle — Non-Job (sales, admin)
6800	Depreciation

5000 Direct Costs (matched to revenue)	
5100	Direct Labor — Field Isolated from overhead; enables Labor Productivity
5110	Labor Burden — Field (taxes, insurance, benefits) True crew cost
5200	Direct Materials Pairs with 4500 to compute Material Margin
5300	Subcontractor Costs
5400	Equipment Rental & Fuel
5500	Job-Specific Permits & Insurance

7000 Other Income / Expense	
7010	Interest Income
7020	Interest Expense
7100	Gain / Loss on Equipment Sale

The Three Rules That Make a COA KPI-Ready

- 1 Direct labor lives in 5000s, never 6000s.**
This is the single most common error and it makes Labor Productivity uncomputable.
- 2 Revenue is segmented by service line.**
A single "Construction Revenue" account hides which work funds the company and which drains it.
- 3 Materials and subs are isolated from internal labor.**
Without this split, you can't compute Material Markup or true crew productivity.

Want this implemented in your books? We restructure your COA in the first 60 days as part of every fractional CFO engagement.

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