Construction attorneys frequently struggle with the financial, accounting, and pricing issues that arise in representing a contractor, owner, or other construction project participant. A common refrain heard from attorneys is “I went to law school because I didn’t like math,” or its equivalent. It is not surprising that many lawyers do not get excited by accounting and cost issues—preferring to focus on more interesting legal issues and the key facts that will establish entitlement. It is all too true as well that accounting and pricing texts are often written in a highly technical form geared to accountants, making it difficult for lawyers to get their arms around specific aspects of construction accounting even when the spirit is willing.

But in both construction contracting and construction disputes, financial and accounting issues, such as those involving costs, pricing, and overhead allocations, play a major role. Proving entitlement does no good for the client if the damages claimed are unsupported by the cost records and, many times, detailed and well-grounded expert testimony from an accounting professional. Additionally, detailed cost-allowability issues often need to be addressed in negotiating contracts in order to avoid disputes later. An active construction lawyer, like it or not, will have many occasions to put to good use a clear understanding of construction industry accounting and financial reports and practices.

For these reasons, we set out to put together a book that would be straightforward enough to assist even the most “numbers-challenged” construction law practitioner, written more in lawyer’s language than the terse and sometimes impenetrable language of accounting, yet offering enough detail and specificity to provide a useful reference on the more detailed and complicated financial topics that a construction lawyer may be called upon to understand and deal with. Under the general umbrella of Construction Accounting, we have addressed a wide range of topics: from Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS) to understanding a contractor’s financial statements; from what a surety looks for in a contractor’s finances to the peculiar cost and pricing rules applicable to government contracts; from claim pricing issues, to audits, to detecting financial fraud situations; as well as discovery and trial issues relating to accounting and damages experts.
An early decision in planning the book was our concept for selecting chapter authors: We paired experienced accountants who have a construction-industry perspective with construction lawyers interested in and experienced with cost-accounting issues. This was done to help ensure that the chapters would address the concerns of and actual problems faced by construction lawyers, and be written in a manner more familiar to lawyers. Hopefully, the resulting book will serve a variety of purposes, chief among them to provide lawyers with an in-depth resource on the construction accounting and pricing issues that are relevant to the construction industry.

As with all Forum on the Construction Industry publications, there were many people who committed vast amounts of their time and energy to making this book a reality. The original idea for the book came from Adrian Bastianelli, who was at the time the Publications Committee chair, and currently is serving as Chair of the Forum. My co-editors, Ed Benes, Pat Greene, and Cary Wright, all worked hard to wrestle the chapters to the finish line, one by one. The authors and other contributors, too numerous to mention individually here, responded cheerfully to short deadlines, and to the editors’ gentle nudges and requests for supplementation or rewrites. The ABA Publications staff, particularly Sarah Forbes Orwig and Amelia Stone, as well as Amy Phillips, provided helpful advice and guidance throughout. My thanks go out to you all. You have a book that you can be proud of as a result, one that should have a useful place on many a bookshelf.