

Research in Progress Abstract - Construction Education (Pedagogical Content)

Students Monopolize Construction Financial Statements

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Over 50 percent of construction firms in the United States fail within ten years of business, with most failing in the first five years. (Schaufelberger, 2009) These failures are attributed not to the lack of technical expertise or ability to properly manage the construction project, but because the business owner(s) lack the financial management expertise required to run a sustainable company. Furthermore, construction management programs across the country are relying on business departments to properly educate students on topics such as cash flows, capital turnover and accrual without adequately addressing specifically the nuances of the construction industry. (Peterson, 2012) To address these challenges, the researcher has created an interactive classroom exercise that requires the students to actively engage in construction financial management. Using the popular game of Monopoly, the students work with a partner to form a construction development company. The game begins with the students taking out a small business loan from the bank and purchasing either one or two pieces of equipment to play the game with. Over three class periods (Which equates to three years of business), the students purchase and develop land and hotels, lease office space, meet payroll, pay off loans, and go through economic cycles similar to the real world. Students record every financial transaction in a general ledger and at the end of every class period produce a set of financial statements for that year. When the three years are completed, the students calculate a multitude of financial ratios including a liquidity analysis, profitability analysis, and a cash flow analysis. The project results in the students being able to analyze and project how their company was actually performing. The results from students are often “I thought we were doing better than our financial statements show” or “It looked like we weren’t winning the game, but our trend shows that we were showing growth”. Students are often able to point to two or three economically driven or management driven decisions that changed their business direction. The results from the monopoly project are two-fold. First, it allows construction management programs to bring the nuances of the construction finance world to light in a real-world scenario. Secondly, it gets students excited about financial statements, a topic that is generally intimidating or viewed as too difficult to understand. The poster highlights the materials used and the curriculum that has been developed specifically by the researcher.

Key Words: Construction Pedagogy; Construction Finance, Education, Class Activities, Cost Analysis