PROFITABILITY & BILLING VARIANCES

Profitability: identify engagements that are costing you money

A fixed fee that was profitable when agreed may no longer be so a few months later. Extra time, expenses, subcontracting, budget overruns and delayed invoicing all play a part. Acting before an engagement closes means bringing the right data together.

Tempolia tracks the engagement while there is still time to act. Billing variance compares work at selling rates with invoiced fees; margin measures economic performance; receivables concern collection. A negative billing variance alone does not prove that an engagement is losing money.

THREE DISTINCT MEASURES

Billing variance
Invoiced fees excluding tax, less work valued at selling rates.

Margin
Earned fees less the actual cost of the engagement.

Receivables
Open invoices after payments have been allocated.

FROM BUDGET TO BILLING VARIANCE

BUDGET
What was planned at the outset

ACTUALS
Time, expenses and subcontracting incurred

WORK VALUE
The selling value of work delivered

INVOICED
The amount invoiced excluding tax

BILLING VARIANCE
The gap between invoicing and work valued at selling rates

Anticipate overruns

Identify an engagement under pressure before its budget is exhausted, while there is still room to adjust.

Support fee renegotiations

Measure the gap between the agreed fixed fee and the resources actually used, so discussions are based on figures.

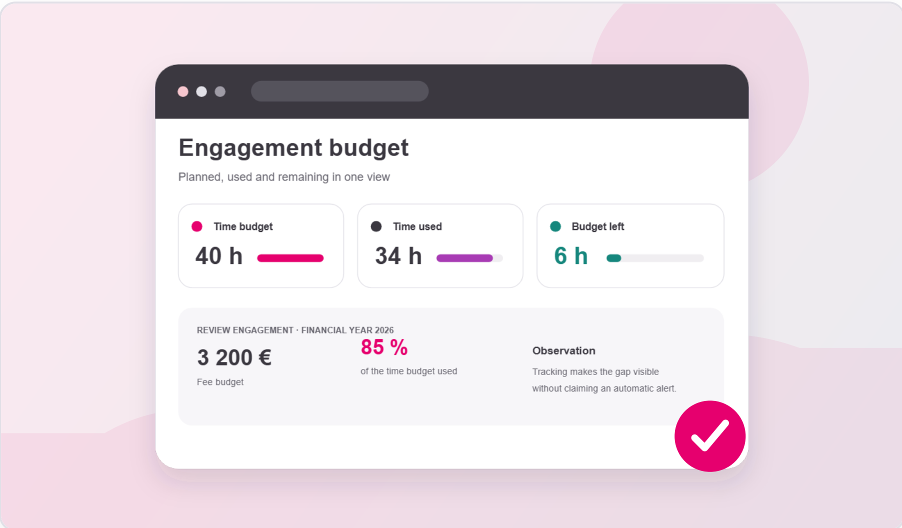
Identify profitable engagements

Understand which engagements, clients and types of work contribute to the firm's margin.

MEASURE

From budget to actual cost

A budget alone is not enough: you also need to track what is actually used. Tempolia compares the initial budget with recorded time, expenses, subcontracting and their values. Profitability can be monitored throughout the engagement, without waiting for year-end.



ON SCREEN

See the engagement in context

Time budget, sales budget, expenses, status, client and engagement owner are available in one place.

01

BUDGET

Set the financial framework when the engagement opens.

- Time budget
- Expenses and subcontracting
- Fees
- Allocated resources

02

VALUE

Put a financial value on the work delivered.

- Actual time spent
- Staff cost
- Selling value
- Direct costs not recharged

03

COMPARE

Compare planned and actual figures throughout the engagement.

- Initial budget
- Used and remaining
- Position at the chosen date
- History across financial years

WORKED EXAMPLE

An accounting review engagement is budgeted at **40 hours** for a fixed fee of **3 200 €**. Halfway through, **34 hours** have already been used: the tracking view shows that the budget is close to being exceeded. By the end, **52 hours** have actually been spent.

Interpreting the figures. The budget overrun is visible without rebuilding a spreadsheet. Billing variance also requires work valued at selling rates and invoiced fees; margin requires earned fees and actual costs.

40 h
€3,200 · INITIAL BUDGET

›

34 h
HALFWAY THROUGH · ACTUAL

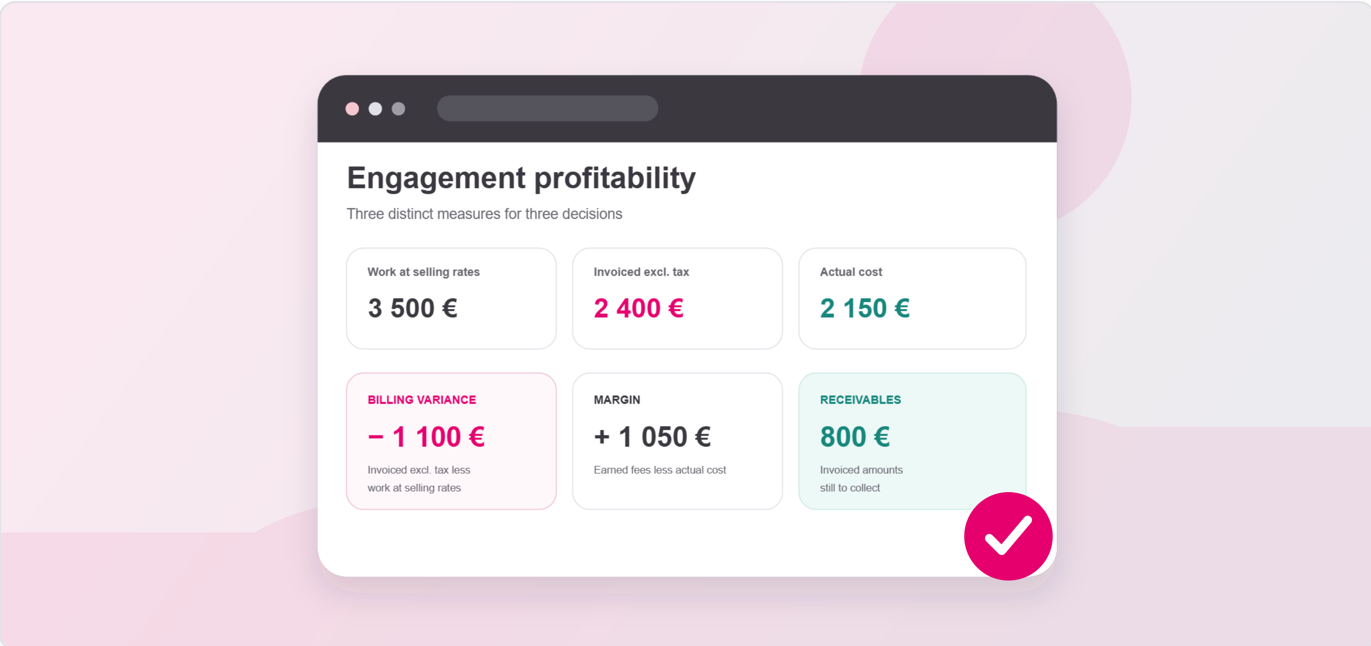
›

52 h
AT COMPLETION

ANALYSE

Understand what improves or erodes profitability

A consolidated view of the firm can hide substantial differences between engagements, clients or teams. Tempolia lets you drill down to understand a favourable or adverse billing variance, or an insufficient margin.



Signal to review	Decision to prepare	Data to examine
Negative billing variance	Check what can be billed and the contractual schedule.	Work at selling rates, issued invoices and billing schedule.
Insufficient margin	Review the scope, fixed fee or way the work is organised.	Earned fees, time costs, expenses and subcontracting.
Persistent receivables	Assign a reminder or resolve the client dispute.	Open invoices, payments, due dates and latest correspondence.

Read trends across your portfolio

Compare clients, engagements, staff, groups, sectors and financial years to distinguish a one-off variance from a lasting trend.

MANAGE

Turn profitability into a management tool

Act before variances erode profitability.

Spot budget overruns, inadequate fixed fees and less profitable engagements. A shared view of actuals and margin helps redistribute workload, prepare fee discussions and set the firm's priorities.

Shared indicators, all the way to the partners' meeting.

A SITUATION TO WATCH

An engagement is using its budget too quickly

Anticipate the overrun before it erodes the margin: reassign staff, review the scope or alert the client.

Tempolia
CJEC partner

The fixed fee no longer covers the work required

Prepare a fee review using hours spent, expenses incurred and the gap between earned fees and actual costs.

A portfolio shows substantial variances

Compare clients and engagements to distinguish an isolated case from a consistently less profitable type of work.

Management wants to monitor the firm's performance

Consolidate indicators and trends using the same data, from the engagement to the partners' meeting.

See your profitability engagement by engagement with Tempolia

Request a demo based on a real portfolio of engagements.

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