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# Using your WIP as a Financial Management Tool

Presented by:

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[teamtag.net](http://teamtag.net)



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# Optimize Performance

## Outsourced Accounting & Software Solutions

*We are true construction accounting and software experts, providing critical tools, financials and reports to help you with all aspects of your construction projects.*



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# Purpose:

The overall purpose of today's workshop is to review the key components of a construction Work-In-Progress Report and how it can be utilized as a monthly management tool.



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# Work-In-Progress:

- A WIP is an overview of the company's job activity for the current fiscal year.
- A Contractor's WIP calculates the percentage completion of each job, and provides the under- and over-billings totals entered on the Balance Sheet.
- It should reconcile to revenues and costs on the income statement.



# 4 Key Components:

- Current Contract Value (with Change Orders)
- Current Estimated Contract Cost (with Change Orders)
- Job-to-Date Costs
- Job-to-Date Billings

# Basic Information from WIP

Costs & Earnings in Excess of Billings (Asset)

Billings in Excess of Cost & Earnings (Liability)

Comparison of Open & Closed Jobs

Backlog of Work

Gross Profit Analysis by Job

Under billings “Flag”

Comparison of Jobs by Location, Estimator,

Project Manager, Division, Type, etc.



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# Key Performance Indicators

Cash

Working Capital

Current Ratio

Under-billings compared to Over-billings

Gross Margin % Trends

Indirect Field Cost as a % of Overall Field Cost

Backlog in Months





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# Analyze Spreadsheet Example

Under-billings

Costs on Closed Jobs

Backlog Status



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# Analyze Spreadsheet Example

Current Month Revenue Decrease

Current Month G.P. % Decrease

\$50,000 Less of G.P. Dollars to Cover Overhead



# What to Do?

Research Under-billed Jobs

Notify Management of Backlog Decrease or Trends

Review Indirect Costs for Efficiencies

Other