

WIP Management in MYOB EXO Business

Overview

This article describes our suggestions for managing your Work In Progress from an Accounting point of view.

What is WIP?

Work in progress is the value of your incomplete / uninvoiced Jobs. WIP may be valued at Cost or Sell depending on advice from your Accountant. MYOB EXO Business can track WIP at both Cost and Sell.

Why is this Important?

If you are accounting for WIP in your Balance Sheet then changes in WIP have a corresponding effect on your Profit & Loss and therefore Profit. Accordingly it's important to ensure your WIP is accurate at end of month. WIP also reflects what may be invoiced for the Jobs you have in progress. Many businesses use their WIP report to determine what should be invoiced, and ensure that no Jobs are missed in the invoicing process.

How do I ensure my WIP is accurate?

We recommend a few steps be taken every month to ensure WIP is accurate:-

- Ensure all Jobs that can be invoiced are invoiced
- Ensure completed Jobs have no uncleared WIP. A good WIP report will include completed Jobs if they have any uninvoiced transactions. For example transactions are erroneously entered to a completed Job.
- Ensure Jobs with Progress Claims have their Costs correctly allocated or cleared. This can cause timing differences between revenue & costs.
- Scrutinise your WIP report to identify any Jobs with excessive or understated WIP. Costs could be allocated to the wrong Job.
- Write-off or clear WIP from any internal or non-productive Jobs before month-end
- Ensure Job statuses are correctly updated. E.g. Are your In Progress Jobs actually in progress? Have invoiced Jobs been set to Completed? Good Job Costing software will prevent entry of transactions to completed Jobs
- Ensure data entry is completed efficiently but accurately. Garbage In = Garbage Out. Can you recover your costs if they are entered to the wrong job and missed in the invoicing Process?
- Review your WIP Ageing regularly. An Aged WIP report works much like aged Debtors. It shows WIP on 30, 60, 90 days. Could these Jobs be invoiced? Should the costs be written off (reducing WIP)?
- Periodically compare your current WIP value against prior months. Is WIP increasing? Why?

Momentum can provide valuable assistance in managing your WIP by:

- Providing our Job Cost Report suite including Retrospective WIP Valuation, WIP Ageing, Job Profit Summary & Detail plus many more
- Ensuring your Job Statuses help prevent entry of transactions to completed or cancelled Jobs
- Helping your staff understand good practices in managing WIP
- Helping your staff to enter Job transactions in an efficient and accurate manner

We hope these steps will assist you in reducing errors, ensuring WIP and Profitability reporting are as accurate as possible.

For information on the Job Cost Report Suite please see our website: www.momentumsoftwaresolutions.com.au