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Design of Effective Work In Process (WIP) Calculation

Construction contracting is one of the most rewarding yet challenging professions in the world. It is one of the few professions that require massive upfront investment prior to actual cash inflow. Rule of thumb for any project start up is 30% of the total value of the contract has to be available for upfront investment before any billings.

In fact most of the projects do not become cash-flow positive until the last 5-10% of the job. The dilemma that the contractors face in income, cash-flow, billings and expenditures requires a constant balancing act. The contractors need a system that allows them to see cash-out, billing and cash-in, in order to manage their daily activities. Unfortunately, neither the accounting nor the estimation data can help create a visible and responsive process for Sales, Billings and Cash-Flow. The fact the matter is that the sales of a contractor have nothing to do with its billing. This small misunderstanding could cost the contractors tens of thousands of dollars in revenues and taxes.

The main attributes of the research are (but are not limited to):

- Basic elements of Work In Process
- Required update areas of WIP
- How to create a WIP report

This workshop is based on the multiple researches conducted over the last ten years.