

Guide: Reconciling Work in Progress (WIP)

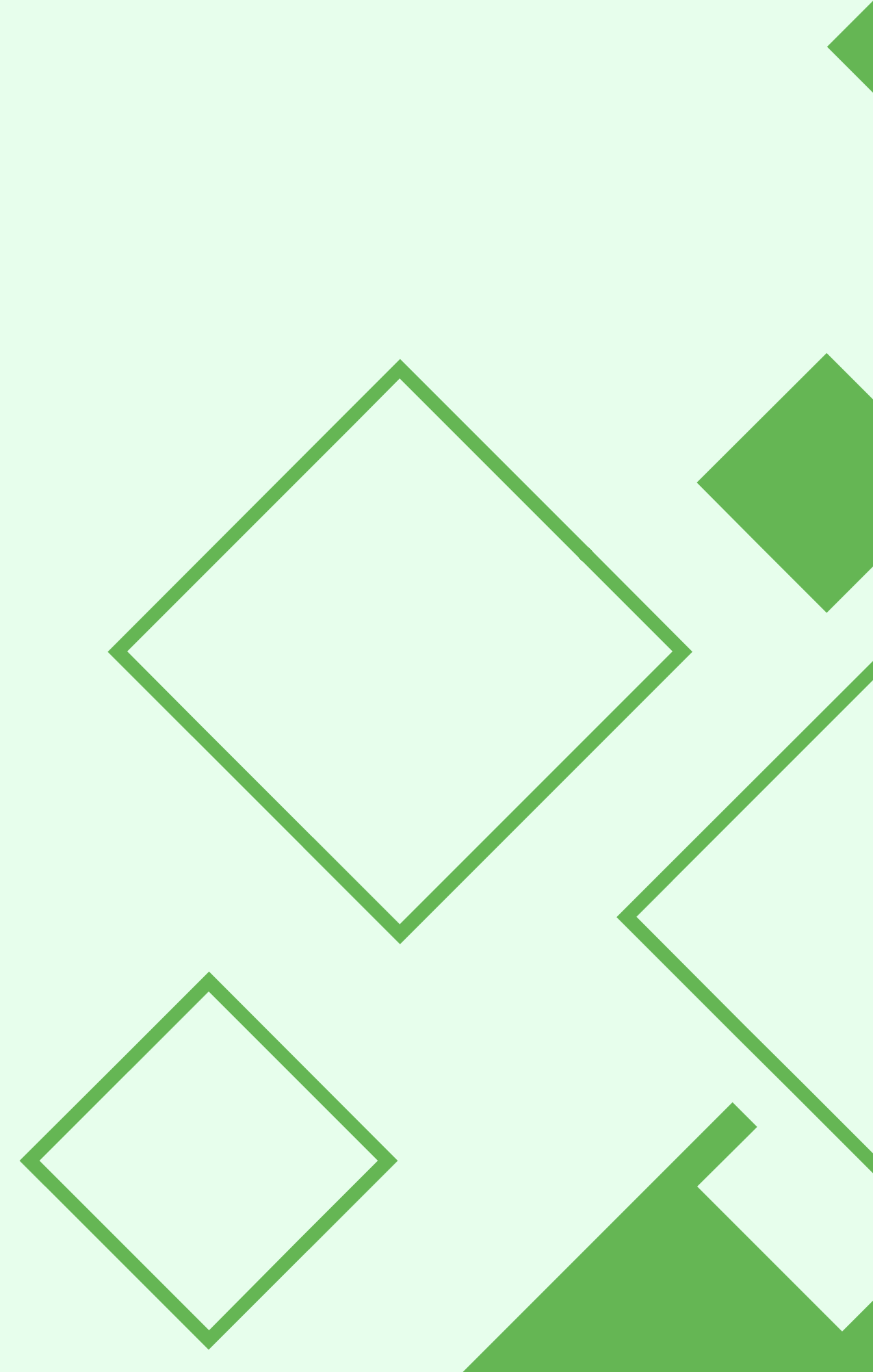


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1. Understanding Work in Progress (WIP)

WIP includes all activity that has been recorded but not yet billed. This typically covers:

- Time logged by employees or contractors
- Expenses incurred on behalf of clients
- Fixed-fee work that is partially complete
- Ongoing project activity not yet invoiced

WIP is often recorded as a current asset on the balance sheet, as it represents future income.

Types of WIP

1. Billable WIP

Work that is expected to be invoiced to the client.

2. Non-billable WIP

Internal or non-chargeable work that may still be tracked for operational purposes.

3. Accrued vs Deferred WIP

- **Accrued:** Work completed but not yet invoiced
- **Deferred:** Work invoiced in advance but not yet delivered

Understanding these distinctions helps ensure accurate reporting and treatment in financial statements.

2. Why WIP Reconciliation Matters

Regular WIP reconciliation ensures that recorded work aligns with financial outputs such as invoices and reports.

Key benefits

Improved financial accuracy

Ensures all billable work is captured and correctly valued.

Better cashflow management

Highlights what can be invoiced and when.

Stronger project oversight

Helps identify projects that are over budget, underperforming, or delayed.

Reduced revenue leakage

Prevents lost income caused by missed or incorrect billing.

Faster month-end close

Minimises last-minute corrections and manual adjustments.



3. Common Challenges in WIP Management

Even with established systems, WIP reconciliation can be difficult without consistent processes.

Incomplete or Late Data	Disconnected Systems	Manual Adjustments	Limited Visibility
<ul style="list-style-type: none">• Timesheets submitted late• Missing expense entries• Delayed approvals <p>This leads to inaccurate WIP balances at reporting time.</p>	<p>When time tracking, project management, and accounting systems are not aligned:</p> <ul style="list-style-type: none">• Data must be manually transferred• Errors are more likely• Reconciliation takes longer	<p>Heavy reliance on spreadsheets often results in:</p> <ul style="list-style-type: none">• Version control issues• Formula errors• Lack of audit trail	<p>Without clear reporting:</p> <ul style="list-style-type: none">• It's difficult to identify ageing WIP• Project-level issues go unnoticed• Decision-making becomes reactive rather than proactive

4. The WIP Reconciliation Process

A structured, repeatable process is essential. The following steps provide a practical framework.

Step 1: Capture All Relevant Data

Ensure all work and costs are recorded before reconciliation begins.

This includes:

- Time entries for all team members
- Expenses linked to projects
- Updates to project status or completion

What to check:

- Are all timesheets submitted?
- Are expenses fully recorded?
- Are entries assigned to the correct project/client?

Step 2: Review WIP Reports

Generate a WIP report to understand current balances.

Typical report breakdowns include:

- WIP by project
- WIP by client
- WIP by team member
- Ageing of WIP (how long unbilled)

What to look for:

- Unexpectedly high WIP balances
- Old or stagnant entries
- Projects with no recent billing

4. The WIP Reconciliation Process

Step 3: Validate Data Accuracy

Before moving forward, verify that the data is correct.

Common checks:

- Incorrect billing rates applied
- Duplicate or missing entries
- Unapproved time or expenses
- Misallocated work (wrong project/client)

Resolving these issues early avoids incorrect invoicing.

Step 4: Identify Billable vs Non-Billable WIP

Not all WIP should be invoiced.

Categorise WIP into:

- Ready to bill
- Pending approval
- On hold
- Non-billable or write-off

This step ensures that only appropriate work moves forward to invoicing.

4. The WIP Reconciliation Process

Step 5: Convert WIP to Invoices

For billable work:

- Prepare invoices based on validated data
- Ensure rates, descriptions, and amounts are correct
- Confirm alignment with client agreements

After invoicing, the corresponding WIP should reduce accordingly.

Step 6: Record Adjustments

Some WIP may require adjustments, such as:

- Write-offs (non-recoverable work)
- Write-ups (additional billable value)
- Reallocations between projects or clients

All adjustments should be documented clearly for audit purposes.

4. The WIP Reconciliation Process

Step 7: Reconcile Against Financial Records

Finally, compare WIP data with accounting records.

Key checks:

- Opening WIP balance matches previous period
- Plus: new work recorded
- Minus: invoiced amounts
- Plus/minus: adjustments
- Equals: closing WIP balance

Any discrepancies should be investigated and resolved.

5. Reporting and Monitoring WIP

Ongoing monitoring helps prevent issues from building up.

Useful reporting views

- WIP ageing reports – identify old or stuck work
- Project-level WIP – track performance and profitability
- Recovery rates – compare billable vs billed amounts
- Utilisation vs billing – assess efficiency

Regular reporting provides early warning signs of potential problems.



6. Best Practices for Effective WIP Management

Maintain Consistency	Encourage Timely Data Entry	Reduce Manual Intervention	Review WIP Regularly	Communicate Across Teams
<p>Use a standard process each period to reduce variability and errors.</p>	<ul style="list-style-type: none"> • Daily or real-time time tracking • Prompt expense submission • Regular approval cycles 	<p>Where possible:</p> <ul style="list-style-type: none"> • Automate calculations and reporting • Minimise spreadsheet dependency • Use integrated systems 	<p>Avoid leaving reconciliation to month-end only. Weekly reviews can significantly reduce workload and improve accuracy.</p>	<p>WIP is not just a finance responsibility.</p> <ul style="list-style-type: none"> • Project managers provide context • Team members ensure accurate time tracking • Finance validates and reports <p>Clear communication improves overall data quality.</p>

7. Common Mistakes to Avoid

- ✗ Leaving WIP unreconciled for long periods
- ✗ Ignoring small discrepancies (they accumulate)
- ✗ Billing without validating underlying data
- ✗ Failing to track write-offs properly
- ✗ Relying solely on spreadsheets without controls



8. Summary

WIP reconciliation is a critical process that connects operational activity with financial outcomes.

A clear and consistent approach helps organisations:

- Maintain accurate financial records
- Improve cashflow visibility
- Reduce lost revenue
- Strengthen project oversight

By focusing on data quality, regular review, and structured processes, finance teams can manage WIP more effectively and with greater confidence.

 [Explore](#) Why professional service firms choose Coretime.