WIP accounting for Property Flipping and Spec Project management – by Michele Hand

This type of activity means there is very little for Expense; it is considered Invested Values in the end product. That means you post to WIP (work in progress) or CIP (construction in progress) = Other Asset; not P&L accounting. This is you, creating your own Inventory to sell later.

In QB, using Items is how you get good info for Job reporting. That means you can set up and use as many items and take advantage of item Types and get the details you want to see on your reporting, use for tracking (such as on a project Estimate and on Purchase Orders to suppliers and subcontractors); you get to use quantity, too.

Once you set up items, you will use them when you make your purchase entries with details, and this is on the items tab of Checks and Debit Card purchases, Bills, credit card charge entries, Vendor credits and credit card credits (for returns). Never use JE for anything here; you cannot list Items.

Everything you enter is Job Tracked for the project name from the Customer list and marked as Not Billable. The Sales creates income.

When the project is complete, you have a total invested cost, or Basis for the project.

Sales:

You want a Sale item linked to income to use on a Sales Receipt for the Closing date. This is the only item that links to Sales Income. You also want Closing Costs item(s) for negative entries, to use for the HUD or Closing Statement. That way, the Sales Receipt ends with a Net to Bank = the amount that you got deposited. Closing Costs is nice as Other Charge type items, linked to COGS, and use as few or as many as you want to see on your reporting and for data tracking purposes. It should be Single-Sided and link ONLY to COGS. This is not Negative Income.

WIP and Job Management:

You only need the one WIP account, because you will create reports on Job Names.

Reporting:

Job Reports: These are set to look for income and expense accounts only. During the course of your project, you need to change the Account Filter to WIP only.

	Customize Report	Comment on Report	Share Template	Memorize	Print ▼	E-mail ▼	Excel ▼	Hide Header	Collapse	Refresh

Dates Last Month ▼ From 01/01/2017 To 01/31/2017 Columns Total only ▼

10:34 AM
02/02/17

Builder, Inc
Job Profitability Summary Filtered on WIP
January 2017

	Act. Cost	Act. Revenue	($) Diff.
Sample ▶	4,050.00 ◀	0.00	-4,050.00
TOTAL	4,050.00	0.00	-4,050.00

Dates All ▼ From To Columns Total only ▼

10:34 AM
02/02/17

Builder, Inc
Job Profitability Summary (As Sold)
All Transactions

	Act. Cost	Act. Revenue	($) Diff.
001-Project ▶	92,912.86 ◀	112,336.09	19,423.23
002-Project	90,450.99	113,697.33	23,246.34
003-Project	119,073.85	155,760.43	36,686.58
Sample	4,050.00	56,500.00	52,450.00
TOTAL	306,487.70	438,293.85	131,806.15

Job Profitability Detail for Sample

Dates All ▼ From To Columns Total only ▼

10:36 AM
02/02/17

Builder, Inc
Job Profitability Detail for Sample as WIP
All Transactions

	Act. Cost	Act. Revenue	($) Diff.
▼ Service			
Appliances ▶	1,500.00 ◀	0.00	-1,500.00
Countertops	2,500.00	0.00	-2,500.00
Electrician	50.00	0.00	-50.00
Total Service	4,050.00	0.00	-4,050.00
▼ Other Charges			
Close WIP	-4,050.00	0.00	4,050.00
Total Other Charges	-4,050.00	0.00	4,050.00
TOTAL	0.00	0.00	0.00

Job Profitability Detail for Sample

Dates All ▼ From To Columns Total only ▼

10:35 AM
02/02/17

Builder, Inc
Job Profitability Detail for Sample as Sold
All Transactions

	Act. Cost	Act. Revenue	($) Diff.
▼ Service			
Closing Costs ▶	0.00 ◀	-3,500.00	-3,500.00
Sale of Property	0.00	60,000.00	60,000.00
Total Service	0.00	56,500.00	56,500.00
▼ Other Charges			
COG Sales	4,050.00	0.00	-4,050.00
Total Other Charges	4,050.00	0.00	-4,050.00
TOTAL	4,050.00	56,500.00	52,450.00

Closing WIP to COGS for the date of Sale:

Create a Vendor name for Close WIP. Create two Other Charge type items: Close WIP = Links to the WIP account, and COGS for Sales = Links to the COGS account. You can put these in a Group Item, to always have them appear Together.

Use a "$0 Bill" method. WIP is the negative (to clear that balance) and COGS is the positive.

Managing WIP includes creating a Custom Transaction Detail report on the WIP account, set to total by name. Make two versions of the report and title them and memorize them. One is All Activities and one is Current Activities.

Here is the difference:

When a project sells, you will Close WIP for that project. Then, you reconcile the WIP account to an ending balance of 0. You always use 0, because you are closing a project that needs to end at 0 = all accrued values are no longer in WIP, but moved to Cost of Goods Sold. You reconcile for that one project and checkmark only its activities.

That is why the "Current Activities" version of that report is Filtered on Cleared Status = No. You will use the All Activities report to monitor that a project was or was not Closed to COGS, and was or was not Reconciled. This is an important management tool, since sometimes, a final cost transaction comes in after closing, and needs to be managed properly to not leave random or stray late balances in WIP for a closed project.