DEEP SPACE™

How Deep Space calculates WIP

Work in progress, earned margin and the month end journal, explained in one page.

The problem WIP solves

What you invoice a client almost never matches the work you have actually done. Claim ahead of the work and this month looks brilliant. Claim behind it and a profitable job looks like a dog. Accounting standards say profit must be recognised as it is earned, not as invoices happen to go out.

WIP is the monthly adjustment that fixes that gap. Most mid tier builders calculate it in a spreadsheet on a Sunday night, pulling numbers out of four systems by hand. Deep Space derives it from live project data, with no re keying.

The three numbers, and where they come from

Number	What it is	Source
Forecast contract	Contract value including approved variations	Head Contract register
Forecast final cost (FFC)	What the job will cost when finished: committed cost plus your forecast of what is still to come	Budget Register and the approved monthly forecast
Cost to date	**What you have actually been billed by subbies and suppliers**	**Budget Register actuals**

Margin is the gap between the first two. Progress is measured by the third. Nothing is typed into the WIP report itself.

A worked example

A $10m fitout, forecast to cost $9.2m, so a forecast margin of $800,000. Halfway through the year the job has incurred $3.68m of cost and claimed $4.5m from the client.

Step	Calculation	Result
How far through, by cost	3,680,000 ÷ 9,200,000	40%
Margin earned so far	40% × 800,000	320,000
Value genuinely earned	cost 3,680,000 + margin 320,000	4,000,000
Claimed to date	from the Head Contract register	4,500,000
WIP (over claim)	**4,500,000 – 4,000,000**	**500,000**

Read it in plain English

The job has invoiced $4.5m but genuinely earned $4.0m. That $500,000 has been billed ahead of the work.

It is not profit. It is revenue that has to be deferred to the balance sheet and released as the work gets done. Billing behind the work runs the other way: profit already earned but not yet invoiced is brought forward.

Risk, and why it sits outside cost

Two layers of risk money are tracked, and they are deliberately kept apart.

Inside each cost code, the forecast is built from typed rows tagged Forecast Cost, Contingency, Trade Reserve or Variation Claim. So at any month end you can see exactly how much of a forecast is genuine expected cost and how much is safety money available for release as the job de risks.

Above the cost structure, a Risk and Opportunity register values each item three ways (worst, most likely, best) and nets them to a single position. Because these entries carry no cost code, they never touch the cost forecast. They adjust margin in the reporting layer instead, which stops risk being counted twice against the contingency already inside the forecast.

What your finance team gets each month

One click produces a WIP journal file, one row per project, ready to post:

Column	Meaning
Margin realised	Profit earned to date on the cost to cost basis
Billing less cost	Claimed to date less cost to date
WIP current, WIP prior, WIP movement	This month, last month, and the movement to post
Journal direction	States the posting: over claimed defers revenue, under claimed accrues it
Loss flag and provision	**Where a job forecasts a loss, the full expected loss with the basis named**

Alongside it, a full report export and a board pack PDF grouped by branch. Cost stays as actuals in the ledger; the journal only adjusts revenue and parks the difference on the balance sheet.

Loss making jobs are treated differently, on purpose

Spreading a profit across the life of a job is fine. Spreading a known loss is not. Once a loss is foreseeable, the standards require the whole loss to be recognised immediately.

Deep Space flags those jobs automatically and carries the full provision into the journal file, with the basis it used stated explicitly so your accountant can confirm it matches your policy.

Why builders care

Every figure above is derived from data your team already enters: head contract and claims on the revenue side, purchase orders, subcontracts and invoices on the cost side, and one forecast number per cost code updated monthly by your QS. No separate WIP spreadsheet, no month end re keying, and every number traces back on screen to the register it came from. The result is a defensible margin position per job, a portfolio view for the board, and a journal your accountant can post without rebuilding it first.

Deep Space is the AI native construction management platform built for mid tier commercial builders across Australia and New Zealand. To see this running on one of your own jobs, get in touch at deepspacegroup.ai.