

Financial training For non financial staff



The financial training specialists

Unbilled work (Cashflow, Profit)

I was working with some project managers last week, and we looked some of their reports. One was the Unbilled WIP report, which showed nearly £100k of work that had been done, but hadn't been billed.

Now WIP gives us two problems. One is cashflow problem, we've paid to get work done but haven't been paid yet, so unbilled work puts pressure on the bank account (and cashflow problems and the cause of most business failures).

But it's a profit problem as well. I asked the group 'How much profit have we made on this work?'

'None' was the general response.

But they were wrong. It wasn't no profit, it was a £100k loss. They had paid £100k to get the work done, and billed nothing.

So unbilled work is a double-edged sword, and both edges damage our business. It always damaged cashflow, and it damages profitability if it remains unbilled.

Every business has WIP some more than others. I have worked with some solicitors recently, and there were case files everywhere I looked. Unless those clients had paid in advance, they were unbilled work.

There are many reasons why we end up being unable to bill for work we've done: the client goes bust; we haven't had proper approval; they simply refuse to pay; there's a change of client personnel. The list is endless, but the result is the same.

How much unbilled work do you have, and what are you doing about it?