CORE
CONCEPT

# Project Accounting and Contract Financial Management: Billing, Retention, Revenue and WIP

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## Introduction:

Project accounting breaks down when cost codes do not match the contract, invoices run ahead of or behind the work, retention and advances sit unreconciled and revenue is booked on billing rather than progress. The result is margin surprises at year end and disputes at close-out. This Core Concept course equips finance and commercial staff to keep the books of projects and contracts: structuring cost codes, tracking commitments, billing progress, recognising contract revenue over time and forecasting cost to complete. Participants leave with a Contract WIP and Revenue Workbook built on their own contract data.

## Course Objectives:

- Set up project cost codes, job ledgers and budget lines that tie each contract to the general ledger
- Record and reconcile commitments, accruals and actual cost for every project from purchase order and subcontract to payment
- Prepare progress billing and interim payment applications with correct treatment of retention, advances and recoveries
- Measure progress and recognise contract revenue over time, presenting contract assets and contract liabilities as cited guidance on IFRS 15 describes
- Forecast cost to complete and final margin through a monthly WIP schedule, including the financial effect of variations and claims
- Produce a Contract WIP and Revenue Workbook and project close-out financial file ready for finance review

## Target Audience:

- Accountants who maintain job ledgers and project cost records for contracts
- Contract finance staff who raise progress billings and track retention and advance payments
- Commercial and cost staff who value work done, variations and subcontractor payments
- Finance business partners who report project margins and WIP to management
- Accounts payable and receivable staff handling subcontractor and client project transactions
- ERP project module administrators and key users responsible for project financial set-up

## Course Outline:

### Day 1: Project Accounting Foundations and Contract Financial Landscape

- Project Accounting Versus General Ledger Accounting: Job Costing Logic
- Contract Types and Their Accounting Effect: Lump Sum, Remeasured, Cost-Plus and Time and Materials
- Project Cost Code Structure Linked to the Chart of Accounts
- Job Ledger, Sub-Ledger and General Ledger Reconciliation Routine
- Project Financial Health Check of an Existing Contract File

### Day 2: Revenue Recognition Models and Contract Accounting Rules

- IFRS 15 Five-Step Model Applied to Construction and Service Contracts
- Performance Obligations Satisfied Over Time Versus at a Point in Time
- Input and Output Methods for Measuring Progress Under IFRS 15
- Percentage-of-Completion and Cost-to-Cost Calculation Worksheet
- Contract Asset, Contract Liability and Receivable Presentation

### Day 3: Budgets, Commitments, Billing and Contract Cash

- Project Budget Loading and Budget Transfer Control by Cost Code
- Commitment Register for Purchase Orders and Subcontracts
- Progress Billing and Interim Payment Application Preparation
- Retention Receivable, Retention Payable and Release Schedules
- Advance Payment Recovery Schedule and Project Cash Flow Forecast

### Day 4: WIP, Variations, Claims and Problem Contracts

- Monthly WIP Schedule: Over-Billing and Under-Billing Analysis
- Cost-to-Complete Forecast and Estimated Final Margin Review
- Variation Order and Claim Valuation Entries and Revenue Constraint
- Loss-Making Contract Identification and Provision Entries
- Working Capital Tie-Up: Unbilled Work, Retention and Overdue Certificates

### Day 5: Modelling Build and the Contract WIP and Revenue Workbook

- Building Contractor Case: Month-End WIP and Revenue Entries
- Engineering Services Case: Milestone Billing Against Measured Progress
- Contract WIP and Revenue Workbook Build for an Own Contract
- Project Close-Out Financial File: Final Account, Retention Release and Archive
- Peer Workbook Review and Margin Defence

## Skills You Will Gain:

- Job Cost Accounting
- Cost Code Design
- Commitment Tracking
- Progress Billing
- Contract Revenue Recognition
- WIP Schedule Preparation
- Retention and Advance Accounting
- Project Close-Out Accounting

## Why Attend This Course:

- Return to work with a Contract WIP and Revenue Workbook for a live contract, its margin forecast checked by peers
- Explain to managers why billed revenue and recognised revenue differ and what the gap means for cash
- Spot unbilled work, unreleased retention and unrecovered advances before they distort the balance sheet
- Compare project accounting practice with finance and commercial staff from construction, engineering and services contracts

## Conclusion:

Contract margin is decided in the books long before the final account is agreed. This course moves from cost codes and job ledgers, through contract revenue models and progress measurement, to budgets, commitments, billing, retention and advances, and then to WIP schedules, variations, claims and loss-making contracts. The final day applies these methods to building and engineering cases and produces a Contract WIP and Revenue Workbook that participants take back to their own contracts, with a close-out file that leaves nothing unreconciled.