GUIDELINES FOR WORK IN PROCESS INVENTORY

I. DEFINITION. Work in Process covers goods on which fabrication or other processing services have commenced but which require additional operational efforts before the articles are ready for delivery to the customer.

II. NEED FOR REPORTING. Business Units which derive their income from fabrication of goods or provide processing services to existing articles are requested to provide General Accounting with a list of incomplete jobs and related costs incurred as of the end of the fiscal year. General Accounting will use this report as a basis for adjusting the Business Unit’s expenditure account so that, as of the end of the fiscal year, it will reflect only those charges incurred in the production of work completed during that year. This is done by placing a credit in the department’s expenditure account as of June and a charge on the expenditure account in July in anticipation of the completion of the work during the ensuing fiscal year.

III. WHAT TO INCLUDE IN THE REPORT. In order to be included in the Work in Process report, a job or article must meet all four of the requirements listed below:

A. Actual work on the job or on the fabrication or processing of the article must have been started by June 30.
B. Actual expense must have been incurred. The performance of work or use of material represents incurred expense only if it has been charged to the expense account of the service department, on either a direct or accrual basis.
C. The job or article must be subject, upon completion, to being charged to some other department or customer, with a corresponding credit to the Income or Recharge account of the department performing the work, and such credit must not have been recorded already, apart from the Work in Process entry, on either a final or an accrual basis.
D. The job or the fabrication or processing of the article must be incomplete.

IV. WORK IN PROCESS REPORT. The report should be submitted online, except for large work in process report, which may be emailed. The report is to be submitted on Form D, Work in Process Inventory. A section of the form is shown below with a sample entry completed for reference:

Although the reporting format does not require details as to the method used to compile the figures or a detailed breakdown, such data should be available in your files for University or external auditors who may wish to audit the report in detail.