

What is Work in Progress (WIP) in a RTO?

Work in Progress (WIP) is a way of describing the **portion of training services that have started, but haven't been fully delivered yet**, at a specific point in time.

In a RTO, WIP isn't about products sitting in a warehouse. It's about **students currently progressing through their course**, where you've:

- **Received income** (either upfront, funded, or both)
- **But haven't delivered all the training hours or units yet**

So essentially:

The student has been enrolled but they have not completed.

Where Do Students Fit In?

Let's say you have **100 students enrolled** in a 20-week course:

- If you're halfway through the course (10 weeks in), you've delivered 50% of the value
- The **remaining 50% is WIP** because you still owe that delivery
- You may not have been paid for this delivery yet. Now, if you have a 90% completion rate we would take the 90% X (50% of fee) – a risk factor (10%). This would then be the WIP number.

Where Does Government Funding Come In?

This gets a little trickier, but here's the logic:

When you're funded (e.g. under Skills First in VIC or Smart & Skilled in NSW), payments often come in **chunks** or **in advance**:

- Some are triggered by commencements
- Others by milestone completions (units of competency)
- Some even by full qualification completions

If you've **received funding** but **haven't delivered the full course**, then some of that income is:

- **Unearned** and some is
- **WIP** depending on how your accountant or advisor wants to record it

In a RTO sale, this becomes critical because:

- Buyers don't want to pay full value for income you haven't earned yet
- You may owe a portion of that delivery post-settlement

Example (Simple Numbers)

Let's say:

- You received \$2,000 in government funding per student
- You have 40 students who are halfway through their courses
- That's \$80,000 received
- But only \$40,000 of service has been delivered (50%)

That remaining \$40,000 is **Work in Progress**. If you sell the RTO now, the buyer will need to deliver the rest. Which means you'll need to **adjust for that WIP** at settlement

Why WIP Matters in a Sale

If you're selling your RTO:

- Buyers will assess your WIP to ensure they're not overpaying for income they'll have to earn after they take over
- A good share sale deed will include **working capital or WIP adjustments** so both sides are treated fairly
- You may be asked to **complete** that training post-sale (on contract), **discount** the sale price, or **split the funding** in some way

Final Analogy (Plain English)

Think of it like this:

If you're a painter, and you've been paid to paint 10 houses, but you've only finished 4, then

You can't sell the painting business as if you've done all 10.

You've still got 6 to paint.

That's unearned income.

BUT If you have been paid for 2 and are contracted for the 10, the monies for the 8 remaining are WIP.

Whilst this may be the first time you have dealt with this in a sale, rest assured it is something we deal with every day and we will assist in maximising the value at every step.