WORKING RECORDS

In spite of what you may have heard to the contrary, you can run a better business if you do it by the books

By JACK HASKETT

You probably don't relish the job of keeping records. The task can be time consuming. Results won't appear overnight. Record keeping itself won't help you to make management decisions, cut costs, or boost profits. With accurate records, however, you'll be able to do a better job in all these areas in less time and with less effort.

Aside from the obvious demands of various government agencies for complete records, you need a good set of books to tell you where you've been, where you're going.

Sometimes an over zealous pro (or his wife) will develop a system which is too grandiose. A certified public accountant, who handles many golf club accounts, has pointed out the dangers of this:

"Bookkeeping systems should be just complete enough to do the job required," he says. "Anything more complex than it absolutely needs to be costs extra money, takes extra time, and many times fouls up the communication process, the real reason for having records in the first place."

You should keep records in these areas:

1. Of prime importance is general management. A close tab must be kept on administrative expenses, for unchecked they can pull a pro shop operation down into the red ink. And the quality of your buying is important. Are you buying in the right quantities, at the right prices, and at the most appropriate times?

Where Is the Profit?

2. Sales are of vital importance. Which product lines are selling best, and which are returning the highest profits? Is one assistant doing a better sales job than another? Are inferior products causing too many sales returns and, at the same time, damaging your shop's reputation?

3. If you, and not the club, are handling the billing, how is your credit system shaping up? Are your credit policies too strict or too lenient? When the end of the year comes around, are your losses from bad debts going to amount to practically nil? They should in your business.

Some pros and managers regard discounts on purchases as trifles, but the effective interest rates which you'll pay if you don't take all available discounts can be tremendous. For example, if you buy golf balls and clubs on terms of "2%, 10 days, net 20 days", you will be paying an annual effective rate of 72 per cent if you don't take the discount.

Use the Accordion

A simple method to insure that all possible discounts are taken is to purchase an accordion-style folder (for about a dollar) with a slot for each day of the month. When bills are approved for payment, just drop them into the slot of the appropriate discount day.

Larger shops need more extensive records than smaller ones, of course, but any pro can function effectively with the following records. As your shop expands it's a simple matter to add more details.

General ledger: There should be a separate account (a ruled page is all that's necessary) for each major asset, liability, income, and expense.

Cash disbursements journal: All outgoing cash and checks are entered here. Some shops use a petty cash system for minor sums.

Cash receipts journal: Every receipt—no matter how small—should be entered here as soon as possible after its receipt.

Sales summary: Sales should be broken down by product line, sales clerk, or cash register.

Accounts payable journal: How much do you owe, to whom, for what? The best credit rating you can earn is "prompt". But why pay bills in advance of the due or discount date? You can use the money better in the business.

Accounts receivable journal: It is vital that you know who owes you, what, and for what.

Records for Decisions

With these basic records you will have all the information you require for sound decisions. Some data is collected monthly. Other information, because of the time and effort required to obtain it, is gathered at less frequent intervals.

Monthly Data

Here is the data you will be able to obtain each month:

1. **Cash** on hand and in bank.
2. **Accounts receivable,** with overdue accounts clearly marked. Some pros stick gummed stickers of different colors on account cards to denote accounts which are current and which are not.
3. **Accounts payable:** Bills should be clearly segregated so that those offering discounts are not overlooked.
4. **Returned sales:** Break down by product line.
5. **Purchases,** including freight-in costs.
6. **Operating** expenses, for current expenses such as wages, commissions, advertising, etc.

Six-Month Data

Due to the costs of compiling you will ordinarily only collect this information every six months or year:

Inventory value: Figure at the lower cost—what you paid for merchandise or current market price. If the price of golf bags has dropped, there's no point in deluding yourself that your inventory has more value than it actually has.

Accounts receivable, physically separated into those which are current, and those overdue 30, 60, 90, or more, days. Credit experts say that an account overdue 90 days is worth about 82 cents on the dollar. One overdue 6 months is worth just 59 cents.

Bad debts: If you are realistic most of your accounts past due over six months will go here. The chances of collecting in

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full on an account this old are at best remote.

Prepaid expenses: (Such things as insurance) and accrued liabilities (possibly unfilled teaching contracts with players who have made advanced payments). Probably you have few of either of these.

Working capital: Subtract current liabilities from current assets.

How to Use Records

Records are most useful when you compare them with something else.

You can compare your records to figures for prior periods (to see where you're going), to budget plans made earlier (to see if you're meeting your objectives), or even to industry statistics obtained from trade magazines and associations (to see how your shop stacks up with others).

Things You Find Out

With monthly records, these measuring devices become apparent:

1. Total volume of sales returns. If too high, or increasing, you may be selling inferior products. Or you or your assistants may be applying too much sales pressure and customers return goods they didn't really want anyway. (This happens even in pro shops).

2. Average value of each sales transaction. (Divide total sales by number of transactions). Too low or decreasing figures mean you're not selling as effectively as you should. Maybe you're missing those combination sportswear sales.

3. Overdue accounts as a percentage of all accounts receivable. If too high, your credit granting policies are too liberal.

With your annual or semi-annual records use these measurements:

1. Inventory turnover. (Cost of goods sold divided by the average of opening and closing inventories.) This ratio indicates how well you are utilizing your inventory investment. Different products will have different "ideal" ratios, of course, but for most items in a pro shop you should have a rate of turnover of perhaps 3 to 6 times a year. A decreasing, or already too low figure, indicates you are buying the wrong types of products, or that your sales staff is pushing some

lines, ignoring others. If you are buying incorrectly, you could face a big loss if prices fall in items in which you are overstocked.

2. Bad debts as a percentage of sales. This figure ordinarily should not exceed 2 or 3 per cent, or possibly in a pro shop should be lower.

3. Working capital ratio. (Current liabilities versus current assets). For example, with current liabilities of $5,000, and current assets of $15,000, your ratio is 3 to 1. Traditionally a 2 to 1 ratio is considered healthy. Anything less means you may have difficulty in meeting creditors' demands for payment.

4. Return on investment. (Net income for the year expressed as a percentage of net assets at the beginning of the year). This is a measure of overall profitability. It should be compared with returns in other years and possibly with other business fields.

If you pay yourself less or more than it would cost to hire a comparable pro, subtract or add back the difference to net profit before making the calculation so your answer will be realistic. For instance, you pay yourself a salary of $8,000, but it would cost $10,000 to hire a comparable manager from the outside. Subtract the $2,000 difference from net profit so that you'll get an honest indication of what profit you're actually making. Do the same thing (only adding back rather than subtracting) with any special expenses or allowances you allow yourself, but to which a manager wouldn't be entitled.

Spain's Soto Grande

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during the summer so soil moisture can be controlled.

The greens on the short course have been planted to Gilgreen. Overseeding for the winter season is not complicated because winter weather is moderate. Although the formal opening is scheduled for spring, the short course should be in play now.

Has Automatic Water

Soto Grande is unique in another respect. It has a very fine completely automatic water system so that there will be