

Essentials of Cost Grouping

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Accounting at the average golf club is conducted inefficiently. This is not hard to understand when it is borne in mind that the accounting policy of the average club is subject to the whims and fancies of changing directorates. As a rule, a golf club director is more interested in the physical aspects of his club, in the things he can see and feel, than in the unromantic drudgery which is so necessary but which to him seems so foreign to the peculiar benefits which membership in a golf club provides. In many American industries conditions would be very bad today were it not for the assistance which individual firms receive from trade associations. A district golf association could bear somewhat the same helpful relation to its member clubs as a trade association bears to individual enterprises. Can not such district golf associations help golf clubs toward a more businesslike handling of their affairs? In this connection a uniform system of accounting for golf clubs would be a splendid thing. This could however be installed only by some governing body, such as a district golf association or some larger organization. But we should bear in mind that no system of uniformity can be completely worked out at any one time. It requires a period of development, which may extend over a number of years. Such a system must be broad enough to cover the requirements of any club, big or little. Time alone can produce a satisfactory system, as the experience of a number of clubs is drawn upon. It would not be necessary to try out a proposed system in a large number of clubs the first year, as its value could be determined by its application in a few clubs only. In fact, it might be preferable to start with only a few.

At the end of a year the balance sheet in any system of cost accounting will show what has been spent. But will it contain enough information to enable one to make an intelligent analysis of the expenditures? If it does not, then different cost headings must be set up on the books. Lump expenditures can not be intelligently analyzed. The larger expenditures must be broken up into subdivisions, such additional headings being made as seem necessary. If this is done, very interesting and instructive information will be obtained, which will possess great value in checking expenditures of succeeding years and in suggesting further refinement of the accounts. It is well to remember, however, that it is impractical to make changes on the club books during the busy season.

The key to a successful system of cost accounting is finding out what the essential divisions are to the cost grouping in the particular kind of business involved. When these are determined, half of the work is done, and what remains is a simple matter of bookkeeping. It is simply necessary to have the headings determined upon set up on the books, and then to have all bills and payrolls marked, before sent to the office, so as to indicate to which account they should be charged. One word of caution is advisable: do not fall into the error of posting such petty details as cutting the grass on this tee or raking that trap; such subsidiary records can readily be kept by the green-keeper in a separate account, where they may be referred to when needed.

My experience and study of golf course accounting over the past five years at the Meadowbrook Country Club and in the Detroit district lead me to suggest the following headings as the essential grouping in golf club accounts. These are the headings in use at the Meadowbrook Country Club. The expenses of tennis courts and miniature golf courses are not included in this grouping, as such items should be kept in separate accounts. It will be necessary, of course, to make further subdivisions of these major titles, especially in the case of house and greens costs; but the same rule of grouping the essentials will apply to such minor divisions.

Office.—Rent, salary, printing, telephone, postage, insurance, interest, taxes, office furniture.

Greens.—Supervision and management of all club property not otherwise specifically provided for in the cost grouping. Greens costs should be divided into 7 major headings: labor, supplies, equipment, motive power, water system, replacement, and construction. These should again be divided into minor divisions such as may be shown on a greens cost sheet. The dividing line between maintenance and construction leaves a possibility of a wide range of opinion and uncertainty. It is true that some construction work can be done in spare time; but if uniformity is desired, a sharp line must be drawn between the two.

House.—Supervision and management of the house, café, locker house, and similar buildings. This may be divided into four sub-headings, as shown on the house cost sheet: house, café, locker house, and bar.

Sports and Entertainment.—Entertainments, tournaments, juvenile events, music, and similar features.

Building Maintenance.—New buildings, roof repairs, outside repairs, outside painting, and major repairs and alterations both inside and outside. This applies to all buildings on the property, including also septic tanks and sewers. These costs should be met from a depreciation fund or a special amount set up in the annual budget. Some clubs would charge the expense of a new roof on a barn to the greens. That is entirely wrong. All accountants annually write off as a club expense an amount for depreciation. Consequently, if the cost of a new roof on a barn is charged to the greens, it is being charged twice. The new roof is prolonging the life of the building and should therefore be paid for either from the depreciation account or from an amount set up in the annual budget and a credit made to depreciation. In other words, the depreciation charge would be reduced by the cost of the new roof.

Grounds Maintenance.—Roads, walks, shelter, lawns, gardens, shrubbery, and similar improvements adjacent to the club house and the locker house. This does not apply to roadways on the course which are used for greens service. Items under grounds maintenance being purely decorative and in no way necessary for the playing of golf, should be entered on the books as a club account. Although at first thought they might appear to be included within the supervision of the greens, they are not a greens expense. Grounds maintenance should have two subheadings, (1) labor and (2) material.

Professional.—Salaries and expenses of the shop.

The most impressive hazard on a golf course is sand; then, in order, water, mounds, and rough grass.