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Accounting for Golf and Country Clubs

BY JOSEPH SHARPLES

Every member of a golf or country club knows that at the annual meeting he is presented with a summary of the financial transactions for the year past and, possibly, a budget of financial expectations for the year to come, but seldom do many members remember that behind all this there should be an accounting system designed to facilitate the presentation of accounts in such a way as to be intelligible to all concerned, whether those be the various committees that exercise control over the different phases of the operations or the members as a whole who, once each year, meet to receive the good or bad news, as the case may be.

Activities of golf or country clubs vary from those where golf alone prevails to those in which various features of recreation and entertainment are provided for the benefit of the members and their friends. As it is in the latter form of club that the accounting system will be more extensive and present a greater degree of interest, this article will be devoted to that type of organization.

ORGANIZATION

It has been my experience that, in those instances where the organization actually takes title to the property on which the activities are to be centered, the usual procedure is to form two separate companies, one, sometimes known as a leasing corporation, to acquire the land, lay out the golf course and erect and equip the club house, caddy house, swimming pool, tennis courts, etc., and the other, sometimes known as a golf or country club, to acquire the movable equipment, furniture, draperies, tennis nets, etc., and to operate the entire property for the benefit of the members and their guests. It is customary for the leasing corporation to lease its property to the golf or country club for a rental which is designed to cover only the actual expense of the leasing corporation, such as interest, taxes, depreciation, etc.

FINANCING

The financing of the leasing corporation is accomplished by mortgage loans and by the sale of its capital stock. The sale is usually restricted to the members of the golf or country club and, vice versa, there is usually a condition that members of the club

must take a certain number of shares of the capital stock of the leasing corporation.

The policy of the organization usually provides that the earlier members be admitted on condition that, in addition to payment of the regular annual club dues, they acquire a stated number of shares in the leasing corporation, at a stated price, and also that later members, in addition, be required to pay to the club an initiation fee designed to cover the increased value of a membership in the organization at the time of their admission as members.

The income of the golf or country club comprises initiation fees, annual club dues and locker rentals, guests' greens fees, tennis and swimming charges and also any excess revenue that may be derived from the operation of the restaurant and the letting of rooms for private parties, etc.

MANAGEMENT

In outlining an accounting system it will be necessary to consider the methods of management that will be in force in controlling the various activities.

Form A (page 184) shows an organization chart of a club in which the control is vested in a board of governors or directors who in turn delegate the supervision of the various activities to certain committees and/or individuals along the following lines:

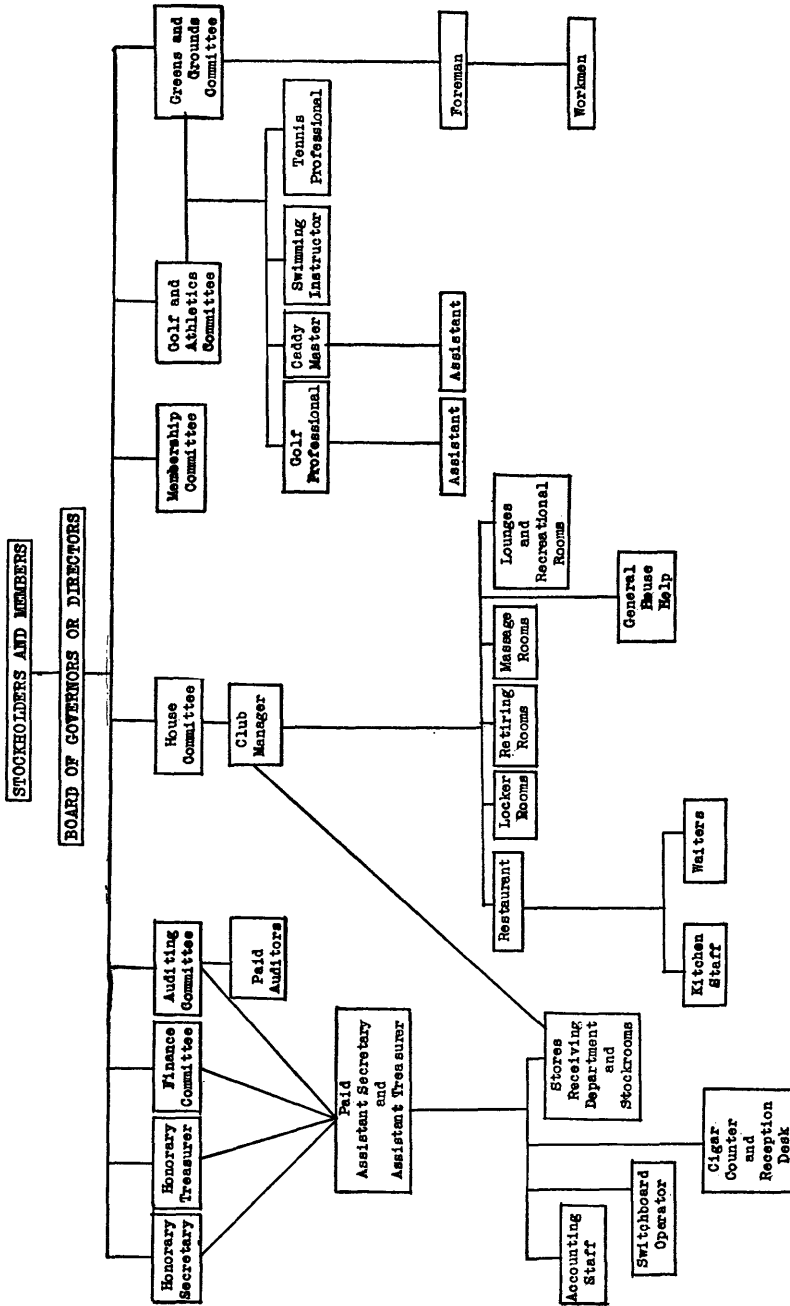
House committee—to supervise all arrangements within the club house, comprising the restaurant, locker rooms, retiring rooms, massage rooms and lounges.

Membership committee—to supervise all arrangements for the securing of new members, the disposal of the stock interest of retiring members and the dissemination of news of general interest such as the publication of monthly bulletins, etc., to all the members.

Golf and athletics committee—to supervise all arrangements for the enjoyment of the athletic and other outdoor facilities, formulation of rules for the use of the grounds, arrangements for various competitions and special events, solicitation of prize funds from the members, purchase of prizes, arrangements for caddies, etc.

Greens and grounds committee—to supervise the upkeep of the golf course, swimming pool, tennis courts and lawns, etc.

Finance committee—to advise the board of governors or directors upon the financial affairs of the organization, which



Form "A"—Organization Chart

would include the determination of the amounts of annual dues, locker rents, greens fees, swimming and tennis fees and the budgeting of expenditures to be made therefrom.

Auditing committee—to supervise all matters relating to the checking and verification of the accounts, arrange with independent auditors to conduct periodical examinations of the general accounts, receive reports from the auditors and advise the board of governors or directors of matters which should be brought to their attention.

Honorary treasurer—to be responsible for the correct recording of the various financial transactions of the organization, carry out the suggestions made through the finance committee and also put into effect any recommendations made through the auditing committee.

Honorary secretary—to be responsible for all the correspondence of the club other than that which comes directly within the province of the various committees, to keep the minutes of all meetings of the board of governors or directors and of the annual and special meetings of the members.

OUTLINE OF ACCOUNTS

In attempting to give a clear but condensed outline of the essential features of an accounting system for the type of organization under consideration, I shall take the accounts presented at the annual meeting and trace the steps to be followed in reaching the results.

Form B (page 188) gives a form of balance-sheet which combines the assets and liabilities of the leasing corporation with those of the golf or country club.

Forms C and D (pages 189-190) give forms of operating statements which also combine the operating results of the leasing corporation with those of the golf or country club.

The items shown in these statements will be taken from trial balances of the general ledgers of both companies.

The subsidiary records will comprise the following:

- (1) A purchase book or invoice register, in customary form, with sufficient columns in which to analyze the invoices for purchases or expenditures in order to provide for the information required on forms C and D.
- (2) A cashbook which, on the receipts side, would provide for analysis columns headed members'-charges ledger, members'-dues ledger, initiation fees, war tax, and

- sundries and, on the disbursements side, analysis columns headed accounts payable, discount, and sundries.
- (3) A journal, of simple form, to be used for recording depreciation, insurance accruals, monthly inventories of restaurant and other supplies, estimated board of employees, accrual of the monthly proportion of members' dues and locker rentals, as well as other miscellaneous adjustments.
 - (4) A members'-dues ledger in which will be recorded the quarterly, semi-annual or annual dues chargeable to each member.
 - (5) A members'-charges ledger in which will be assembled and recorded the financial amounts of the various charge vouchers signed by the members for restaurant charges, guests' greens fees, professional charges, cigars, etc. It is usually the practice to insist, as far as possible, that no cash transactions be allowed in the club but that the members be billed monthly with all charges for their account.
 - (6) A stock ledger, for the leasing corporation, to show the stock interest taken out by each club member and the progress of the payment for that interest. Sometimes new members are allowed to pay for their stock interest by monthly instalments extending over a period of one year, with interest chargeable on outstanding amounts.

INTERNAL CHECK

It is my experience that too much emphasis can not be placed upon the system of internal check to be enforced with respect to the various expenditures of an organization of this type. Without proper supervision and control there is usually ample opportunity for wasteful expenditure. No matter how good may be the intentions of the members of the various committees, their personal or private interests are frequently so compelling that they are not able to give all the time necessary for the complete performance of their committee work. In consequence, it is often found that a large part of the important work in relation to the financial accounts of a club is left solely in the hands of the employees.

The following is a brief outline of the procedure recommended as a measure of safeguard in various operations:

- (1) There should be a specially designated delivery or service entrance at which all deliveries of food supplies and general merchandise should be received. All receipts should be immediately weighed, counted or inspected

- and the details entered in a merchandise-receiving book (sometimes known as a stewards' receiving book) in chronological order. When invoices are received they should be checked off to the receiving book and the latter should be marked in some agreed way to avoid the possibility of a duplication of invoices. The invoices should be kept on the voucher system or be stamped with a rubber stamp providing for the filling in of information concerning the date of receipt of merchandise, the correctness of the pricing and calculations, the distribution according to the accounting classifications and the approval for payment by the chairman of the committee or other responsible person.
- (2) All incoming mail should be opened by the secretary or the treasurer or by an employee designated by them, that employee should be under periodical supervision, and all cheques received should be carefully classified and listed, entered in the cashbook and banked daily.
 - (3) All meals served in the restaurant or bar should be carefully controlled. This can usually be accomplished by the use of duplicate waiters' checks or charge tickets in serial numbers. In those cases where the members sign for their meals, etc., a systematic control should be kept to see that all the charge tickets are accounted for each month by debits to the individual members' accounts, for monthly billing.
 - (4) Proper record should be kept of all meals served to employees, supervision made of the quantity and quality of the meals so served and care taken to see that the estimated cost of such meals is allocated to the proper department under the accounting system.
 - (5) Careful control should be exercised over the various stores of food, cutlery, crockery, linen and supplies, as experience has shown that herein lies an important source of waste. Where the volume of transactions justifies such a procedure, it is sometimes advisable to employ a central storekeeper to have full charge of all merchandise received. Issues of food, beverages, cutlery, crockery, linen and other supplies would then be made to the various departments only on production of specific requisitions signed by the chef, lockerman, etc., and approved by the club manager or other person designated by the board of governors or directors.
 - (6) A ticket system should be in force to control the charges for such items as guests' greens fees, swimming and tennis fees, room and garage rents, etc.
 - (7) Members' dues and locker rents should be carefully supervised to see that proper charges are being made in

all cases. A register of members should be kept, the changes in which would be governed by the minutes of the board of governors or directors. Reference to this and also an actual check of the lockers in use will afford a measure of control over the income from these sources.

BUDGETING FOR INCOME AND EXPENDITURES

At the close of each fiscal year it is usually the duty of the finance committee to prepare a budget or estimate of the income and expenditures expected for the coming year. This budget is usually presented at the annual meeting for the approval of the members and is used, as shown in form C, as an informatory guide in the preparation of the monthly and annual statements of accounts.

CONCLUSION

As stated previously, this article has been confined to a brief outline of the accounting requirements of a golf or country club. No attempt has been made to cover all the problems that will arise from time to time in the management of such a club. It is felt, however, that the preparation of the kind of statements suggested in this article can be accomplished without much difficulty and the information disclosed therein will usually be all that is reasonably required in club accounting.

	BALANCE-SHEET AS AT.....		<i>Form "B"</i>
<i>Assets</i>	Leasing corporation	Golf or country club	Total
Land and improvements.....	\$		\$
Club house and other buildings. \$			\$
<i>Less</i> —Depreciation reserve...			
Furniture, fittings and equipment		\$	\$
<i>Less</i> —Depreciation reserve...		\$	
Cash in bank and on hand.....			
Due from members:			
Stock subscriptions.....			\$
House charges.....			
Initiation fees.....			
Dues.....			
Miscellaneous.....			
Inventories of food and supplies			
Prepaid expenses.....			
<i>Liabilities</i>			
Capital stock.....	\$	\$	
Mortgages.....			

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BALANCE-SHEET AS AT.....		<i>Form "B"</i>	
<i>Assets</i>	Leasing corporation	Golf or country club	Total
Bank loans.....			
Accounts payable and accrued expenses.....			
Members' dues, etc. in advance.			
Surplus:			
Balance at.....	\$	\$	\$
Excess of income over expenditures—form "C".....			
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

STATEMENT OF OPERATIONS				<i>Form "C"</i>
For the periods.....				
	Budget estimate	— months ended 19	— months ended 19	
Golf or country club:				
Income:				
Members' dues.....	\$	\$	\$	
Initiation and transfer fees.....				
Locker rentals.....				
Guests' greens fees.....				
Swimming fees.....				
Tennis fees.....				
Interest received.....				
Operating departments—Form D:				
Restaurant.....		\$	\$	
Bar.....				
Cigars and candy.....				
Room and garage rentals.....				
Total Income.....	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	
Expenditures:				
House committee.....	\$	\$	\$	
Locker rooms.....				
Membership committee.....				
Golf and athletics committee.....				
Greens and grounds committee.....				
Administrative and general.....				
Rental to leasing corporation.....				
Total expenditures.....	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	
Excess of income over expenditures—To Form B:.....		<u>\$ </u>	<u>\$ </u>	
Leasing corporation:				
Income:				
Rental from golf or country club.....	\$	\$	\$	
Interest received.....				
Total income.....	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	

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Expenditures:			
Interest on mortgage.....	\$	\$	\$
Property taxes.....			
Depreciation.....			
Total expenditures.....	\$	\$	\$
Excess of income over expenditures—To Form B:.....		\$	\$

STATEMENT OF OPERATIONS
For the period

Form "D"

	Restaurant	Bar	Cigars and candy
Sales.....	\$	\$	\$
Board of employees.....			
	\$	\$	\$
Cost of food, etc., consumed.....	\$	\$	\$
Gross profit.....	\$	\$	\$
Wages.....	\$	\$	\$
Supplies.....			
Ice.....			
Fuel and light.....			
Laundry.....			
Repairs and replacements.....			
Board of employees.....			
Depreciation of equipment.....			
Miscellaneous.....			
	\$	\$	\$
Net profit—per form "C".....	\$	\$	\$

	House commit- tee	Locker rooms	Member- ship committee	Golf and athletics committee	Greens and grounds committee	Adminis- trative and general
Salaries.....	\$	\$	\$	\$	\$	\$
Wages.....						
Board of employees.....						
Supplies.....						
Laundry.....						
Fuel and light.....						
Water.....						
Repairs and replacements						
Horse feed.....						
Seed and fertilizer.....						
Stationery and printing..						
Postage.....						
Depreciation.....						
Miscellaneous.....						
Per form "C".....	\$	\$	\$	\$	\$	\$