Accounting on the Go

Club Resources INTERNATIONAL

EAST WEST PARTNERS CLUB MANAGEMENT

Disclaimer

Topical Index

Accounting on the Go

Tips for Use

One of the major motivations in creating the Accounting on the Go material is to provide managers with the disciplines and skills to properly complete all fiscal responsibilities.

The Accounting on the Go material is prepared in MS Power Point files and presented in pdf format. Each topic is numbered, beginning at #01.

For best results, after printing each topic on paper or card stock, the sheets should be laminated. It may be cheaper and more convenient to invest in a laminating machine and doing this yourself, rather than paying someone else to do this. Another option would be to place sheets into clear document protectors.

After printing and protecting each sheet, it should be filed in a filing cabinet, file box, or three-ringed binder in numerical sequence. By using the provided index, you can easily locate a particular topic.

As with any other tool, Accounting on the Go is only as effective as the effort put into it by the manager or supervisor. Each sheet provides the "take away" from the lesson. Comprehension can be improved by asking managers to explain terms or points in their own words, offer examples from their own experience, or illustrate points with real or imagined scenarios. The key is to get them to think about each topic and connect it with their own experience and the context of their job.

The Accounting on the Go material can be used in group-led discussions for ongoing training of managers to reinforce key issues or they can be used by an individual who wants to work through the entire program in sequence to upgrade skills and knowledge. They are also an excellent way for a newly-hired managers to be brought "up to speed" on the accounting requirements of the organization.

The 3 Glossary of Terms sheets and the 3 Comprehension Reinforcement sheets (AOG sheets 41-46) can be used for brief Q&A sessions during weekly staff meetings to train and remind managers of the many club accounting requirements.

Accounting Basics – 2

Teachable Moments

Cash or Accrual

There are two ways to account for the flow of money through a business – on a cash or accrual basis. In cash accounting, a transaction is recorded at the time money is received in payment for goods or services rendered or when money is paid by the business for goods or services received. It is the same as when you write a check for groceries – you record the expense in your checkbook on the date you write the check under the expectation that the check will be presented to your bank and the funds for the groceries will be moved out of your account and into the grocer's account on or about that date.

When a business' funds are accounted for on an accrual basis, an effort is made to record expenses in the period that they were incurred and to match revenues with the expenses incurred to generate them. The best example of this is payroll expense. Let's say a business pays its employees bi-weekly (that is, every two weeks on Friday). Each monthly accounting period is made up of a little more than two pay periods or 28 days (excepting February during non-Leap Years). Because of the year to year variations of the calendar, most often the last day of a particular month does not fall on a the last day of a pay period. This requires the business to allocate the cost of partial pay periods to the appropriate accounting period.

Example: The second pay period in May ends on Friday, May 29th. Two days of the following pay period fall into the May, while 12 days fall into the June accounting period. While the payroll expense of the pay period will not be paid to employees until the middle of June, the payroll cost for May 30th and 31st must be accounted for, and thus accrued, in May.

Profit Center vs. Costs Center

The operating departments of a club are either a profit center or cost center. Those departments that generate revenues, as well as the associated departmental expenses, such as Golf, F&B, Activities, Tennis, etc., are profit centers. Those who do not generate revenues, but incur expenses, such as GC Maintenance, Membership, Administrative and General, etc., are cost centers.

Bottom Line Responsibility

Bottom line responsibility is the financial accountability that a manager has for the operation or portion of the operation for which he or she is responsible. For the General Manager of a club, he or she has bottom line responsibility for the entire club operations. For the Department Head – say the F&B Director – he or she is responsible for the bottom line performance of the F&B Department.

General Ledger

The General Ledger is the accounting record that summarizes chronologically all the transactions that occurred since a business began operating. This ledger is the historical record of all the business' transactions.

The accounting department can print out the General Ledger detail for a department's accounts for any specific accounting period or range of dates which summarizes all income and expenses transactions affecting the department's performance during that period.

Take Away: As we get started in our review of basic accounting practices and terminology, there are some basic things we must understand.

#08 Summary of Fiscal Responsibilities – 1

Teachable Moments

Budgeting – Budgeting is the process of establishing a financial operating and capital plan for a future fiscal year. Budgets are formulated using past history, benchmarks, knowledge of upcoming events or trends, and one's best professional judgment.

Comparing Actual Performance to Budget – Once approved, budgets are the fiscal plan for the year. Managers are responsible for comparing actual performance to budgets on a monthly basis and intervening as necessary to achieve budget goals.

Achieving Revenues – Achieving revenue projections is one of the two primary means of meeting budgets (the other being controlling expenses). Managers are responsible for monitoring revenues and aggressively intervening when revenues fall short.

Controlling Cost of Goods Sold – Departments with retail operations (Golf, Food, Beverage, and Tennis) also must control the cost of goods sold and investigate high cost of goods sold by Cost of Goods Sold Analysis. Managers can do this by ensuring accurate Monthly Resale Inventories, carefully tracking Departmental Transfers and Adjustments, and using an Annual Retail Buying Plan.

Controlling Payroll Costs – Payroll is the single largest expense in Club operations. Payroll costs are the most significant expense that Managers must control. The Pay Period Summary Report, CRI Form 229, and the Departmental Payroll Summary Analysis, CRI Form 230, are effective tools to compare actual to budgeted payroll costs.

In order to control payroll costs, it is essential that Managers have timely and accurate data regarding their departmental payroll cost. Essential to getting this data is correctly following timekeeping procedures, setting schedules to meet forecasted levels of business, and the dogged determination to track payroll expenses closely to ensure that budgets are not exceeded.

Controlling Other Expenses – Other Expenses comprise all of the other departmental operating expenses.

Managers can control these expenses by carefully reviewing expenditures on a monthly basis, using Tools to Beat Budget to monitor expenses by expense category, and by periodic in-depth reviews of significant expense accounts**.**

Benchmarking – Benchmarking is the act of measuring operating performance. Each Department Head is required to track detailed benchmarks for his or her area of the operation

Take Away: Managers are responsible for the financial performance of their clubs/departments.

Club Resources INTERNATIONAL — Accounting on the Go

#11 Budgeting – Statement of Assumptions

Teachable Moments

Managers preparing budgets should state their assumptions when calculating their major revenues and expense items, particularly payroll. By building data entry cells into your budget spreadsheets that allow you to calculate revenues based upon volume indicators (such as rounds of golf, meals served, etc.) and average sale (such as golf fees per round, average meal check, etc.), you can quickly calculate revenues while allowing reviewing managers and owners to easily understand how you came up with your projections. See example below for golf revenues based upon projected rounds and average fees per round.

The same concept applies to forecasting payroll costs since overall payroll cost is the result of the number of payroll hours (volume) times the average hourly wage. Again, use a spreadsheet that allows you to enter these two key pieces of data to quickly calculate your payroll projections for future periods.

Club Resources International has designed budget spreadsheets with such data entry cells for both revenues and payroll.

Other assumptions in your budget may require a “notes” column or your may attach an “assumptions” page to your budget spreadsheet.

OAK HILL COUNTRY CLUB | **GOLF OPERATIONS**

Member Rounds	20,400	1,000	1,200	1,400	1,500	2,000	2,100	2,000	1,900	2,000	2,200	1,900	1,200
Guest Rounds	3,050	100	150	200	250	350	350	320	280	300	350	300	100
Total Rounds	**23,450**	**1,100**	**1,350**	**1,600**	**1,750**	**2,350**	**2,450**	**2,320**	**2,180**	**2,300**	**2,550**	**2,200**	**1,300**
Green Fees/Guest Rd		75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00
Cart Fees per Round		16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Merchandise Sales/Rd		12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
INCOME	**Annual**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Cart Fees	375,200	17,600	21,600	25,600	28,000	37,600	39,200	37,120	34,880	36,800	40,800	35,200	20,800
Guest Fees	228,750	7,500	11,250	15,000	18,750	26,250	26,250	24,000	21,000	22,500	26,250	22,500	7,500
Golf Merchandise	281,400	13,200	16,200	19,200	21,000	28,200	29,400	27,840	26,160	27,600	30,600	26,400	15,600
Club Repair Income	4,550	100	100	1,200	1,200	300	300	250	[illegible]	[illegible]	[illegible]	[illegible]	100
Handicap Income	4,060	2,500	1,200	180	180				[illegible]	[illegible]	[illegible]	[illegible]	
Club Rental Income	2,100	100	100	100	100	100	100	100	[illegible]	[illegible]	[illegible]	[illegible]	100
Lessons	10,450	500	500	750	1,000	1,200	1,200	1,000	[illegible]	[illegible]	[illegible]	[illegible]	500
Total Golf Income	906,510	41,500	50,950	62,030	70,230	93,650	96,450	90,310	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Data entry cells.
By multiplying fees per round by number of rounds, you automatically get revenue projections.

Take Away: By building date entry cells in a spreadsheet and basing your revenue projections on the volume and average member spend, you not only automatically calculate revenues, but reviewers can easily see the basis for your revenue assumptions.

#14 Tools to Beat Budget Program

Teachable Moments

The Tools to Beat Budget program is made up of the following elements which are filed under the appropriate tabs in a 3-ringed binder:

Annual Budget. Each Department has a budget comprised of: Departmental Schedule, Departmental Revenue Assumptions (profit centers only), and Departmental Payroll Cost Assumptions. Each Department's budget is the financial plan for that Department for the fiscal year.

Monthly Profit & Loss Schedules. Actual profit and loss schedules for each month which are prepared and distributed by the club's Accounting Office. The Monthly P&L's report actual financial performance for the period and compare it to the budget. The Monthly P&L's also compare year-to-date (YTD) actual performance to budget.

Weekly Revenue Reports. Reports prepared and distributed weekly which show revenues by Department (profit center only). This report also compares YTD actual to YTD budgeted revenues. You should use this report to compute your key departmental revenue benchmarks which can be compared to budgeted benchmarks. The format and time frame for this report may vary from club to club, but the essential information of actual revenues for the department must be included in the binder.

Pay Period Summary Reports, CRI Form 229. Reports prepared and distributed for each pay period which show payroll costs by Department. (CRI strongly recommends using bi-weekly pay periods for the reasons explained here.) This report also compares YTD actual to YTD budgeted payroll cost. Finally, it computes the average hourly wage by Department and compares it to the budgeted amount. The format for this report may vary from club to club, but the essential information of payroll costs for the department must be included in the binder.

Cost of Goods Analysis, CRI Form 244. This worksheet is available for those Departments with retail sales, i.e., Golf, Food, Beverage, Tennis, and other retail outlets. Department Heads can compute and track their cost of goods percentage and compare it with the budgeted cost of goods. In addition, use the Cost of Goods Sold Analysis to record your Cost of Goods Sold numbers month to month to help analyze trends.

Other Expense Log, CRI Form 233. These worksheets allow Department Heads to record their monthly Other Operating Expenses each month by expense account. By keeping these logs, Department Heads will know how much they have spent of their budgeted amount for each expense category.

Note 1: Resale purchases such as food and beverage and retail items are not considered Other Operating Expenses and Expense Logs are not kept for these items. They will be accounted for in the Cost of Goods Sold calculation. It is still a good idea for Department Heads of resale departments to get the General Ledger detail of such purchases and file them in your Tools to Beat Budget binder.

Note 2: In tracking remaining budgeted balances in expense accounts, managers must understand that "budgeted but unspent amounts" are not an open invitation to spend the funds simply for the sake of spending them. Also, managers must not take an overage in one expense account and code it to another for the sake of hiding the overage. Such miscoding misstates the performance of the department, is misleading when trying to identify problems, and will be misleading when using the misstated numbers as historical records to create the next year's budget.

Take Away: As with any other management tool, Tools to Beat Budget is only as valuable to a manager as the effort put into it. Managers should keep in mind that if their operation was their own business, each of the tools would be a necessary part of maintaining the business' profitability. While we don't own our operations, our management responsibility to ensure financial performance is just as much a necessity.

#17

Payroll and Accounting – 1

Teachable Moments

All managers and supervisors, but particularly those with bottom line responsibilities, must be concerned about the implications of payroll cost for a club's profitability. In a labor-intensive business such as ours, it takes a lot of people to do all the things necessary to operating a club, particularly those providing high levels of service.

Single Largest Expense. Payroll and related expenses are typically the single largest expense in club operations. Of all the things a manager must do well, monitoring and controlling payroll costs is one of the most important.

Component Factors. There are a number of factors that determine a club's overall payroll cost including Compensation Cost, Number of Hours Worked, Amount of Overtime, and Payroll Taxes and Benefit Costs.

Compensation Costs. Compensation costs include salaries and wages. In any department there are typically one or two supervisors who are salaried and exempt from overtime while the rest of the staff are paid an hourly wage and are subject to payment of overtime.

While supervisors have control over rates of pay for hourly employees, there are some constraints as well.

- Federal wage and hour laws require that staff be paid at least the Federal Minimum Wage. Some states and municipalities have also established minimum (or "Living") wage requirements and clubs in those jurisdictions must comply with them.
- Prevailing industry or local pay scales will also dictate what a supervisor must offer an individual to do a particular job. In a strong economy with low unemployment, clubs and other hospitality businesses find themselves paying well above minimum wage for entry-level unskilled or semi-skilled employees.
- In the free market system, a supervisor may have to pay a higher rate to employ someone with certain skills or experience. Ultimately, the offer and acceptance to work hinge on a meeting of the minds between an employer who needs certain skills and experience and an applicant who has certain compensation requirements.
- A supervisor must also keep in mind what he is paying current employees when making an offer to an applicant who will be doing essentially the same work. In other words, a supervisor must consider issues of pay parity when setting rates of pay for new hires.
- Pay parity is also important in compensating women and minorities. Unfortunately, many businesses have historically discriminated against these groups in parity of compensation.
- Finally, a supervisor will be constrained by the requirements of his operating budget when making offers to applicants and offering pay increases to existing staff.

Within these parameters, a supervisor has some leeway in making a wage offer and exercises control over his labor cost by prudent hiring and departmental wage level decisions.

While a supervisor has no control over the levels of taxation, these costs are directly dependent on the amount of wages paid. Since total wages paid is dependent upon number of hours worked, supervisors can help control tax costs by keeping hours worked to a minimum consistent with quality expectations and standards.

Take Away: Understanding the factors driving payroll costs is an important first step in devising ways to control those costs.

#20 Expenses and Accounting – 2

Teachable Moments

Cost of Goods Sold

Cost of Goods Sold is the true cost of selling retail items taking into account the cost of purchasing resale items and the price charged members for those same items after all discounts and adjustments. Given that items are purchased for resale at different times and different prices and those same items are then resold to members at different times and different prices, computing Cost of Goods Sold (CoGS) could be a complex matter. Fortunately, Generally Accepted Accounting Principles allow for a far easier computation.

CoGS = Beginning Period Inventory + Resale Purchases during the Period
– Ending Period Inventory ± Adjustments & Transfers

If you stop and consider the logic behind this formula, it makes perfect sense that this computation would yield the actual cost of selling retail items during a given period.

The Beginning Period Inventory (or the Ending Period Inventory from the last accounting period) is the dollar value of resale inventory on hand at the start of the period. Inventories (or physical counts of resale stock) are usually conducted on or around the last day of each month.

Purchases during the accounting period are those additional items of retail stock that were purchased during the month and whose dollar value was therefore added to the stock on hand.

Note: Managers must clearly understand that for the above Cost of Goods formula to be accurately computed, it is critical that delivered resale items be properly entered in to the POS, that invoices be correctly coded for the period in which the items were received, and the coded invoices promptly delivered to the accounting office for processing. In other words, for your Cost of Goods Sold to be accurate, both your POS inventory and the General Ledger account must contain the data entry from each delivery.

The Ending Period Inventory (again conducted on or around the last day of the period) represents the dollar value of stock remaining after sales during the month. By subtracting the value of the ending inventory from the value of the beginning inventory plus all purchases, you get the value (or cost) of those items sold to members.

Since there are always minor adjustments such as refunds on returned items and items transferred from one department to another, and food and beverage transferred from the dining operation to activities for an club-sponsored event, these items must also be taken into account – therefore, the plus or minus Adjustments and Transfers in the formula above.

Finally, the actual cost (or value) of resale items sold is divided by the retail sales for the period to determine what percentage of total retail sales was spent for those items purchase by members. Put another way, it represents the amount of cost for each dollar in retail sales.

$$\textbf{Costs of Goods Sold \%} = \frac{\textbf{Cost of Goods Sold}}{\textbf{Retail Sales for the Period}}$$

A quick method for following your Cost of Goods Sold is to make the assumption that your beginning and ending inventories will be roughly equivalent. Thus, by simply tracking the amount of your resale purchases during a given accounting period and dividing that amount by your sales, you can have a quick check on your Cost of Goods Sold.

Take Away: Managers must understand the factors that affect Cost of Goods Sold to determine what is causing out-of-line numbers.

#21

Expenses and Accounting – 3

Teachable Moments

Target Cost of Goods Sold

When retailers set prices for their resale items they usually have in mind a target Cost of Goods Sold Percentage. Obviously, the more they charge for an item the lower the cost of goods sold. But there are limits as to what retailers can charge for their resale items, such as what the market will bear and what competitors are charging for similar items.

Departments with resale operations will budget with a projected cost of goods sold percentage – for retail shops it's usually around 70%, for food it usually ranges between 35% and 50% depending upon the quality and type of operation. Alcoholic beverages usually have a lower cost of sales, though again it varies from club to club depending upon the quality of the operation and the price charged.

Whatever the target cost of goods sold, that is what the department head has budgeted and he or she must ensure that actual performance is at or below the target to ensure profitability.

Investigating Cost of Goods Issues

One of the major issues with tracking one's departmental Cost of Goods Sold is extreme variation from month to month. Often, a department will have an extraordinarily high CoGS % one month, followed by a low one the following month. The problem with such fluctuation is that it lulls the manager into a habit of waiting to see if out-of-line CoGS will come back in line the next period. The danger in this is that if the problem is related to pilferage or theft, the manager allows it to continue for some time before investigating or taking action.

What this means is that managers must take great pains to conduct accurate monthly inventories and thoroughly investigate any out-of-line CoGS as they happen. Club Resources International has provided several tools to help managers do this. Cost of Goods Sold Analysis, Accounting Policy A-1511, provides a detailed explanation of those factors that can contribute to out-of-line CoGS. Also, Cost of Goods Analysis, CRI Form 244, can be used as a checklist to try to find contributing factors. The simple act of benchmarking the dollar amounts of your inventories and your Cost of Goods Sold Percentage month to month on the Cost of Goods Analysis form will help you spot inventory problems.

Lastly, two Accounting Policies, Monthly Resale Inventories – Food, Beverage, & Retail, A-4501, and Investigation of Inventory Discrepancies, A-4509, both give helpful tips to better organize your storerooms and conduct more accurate inventories.

Take Away: Managers must understand the factors that affect Cost of Goods Sold to determine what is causing out-of-line numbers.

#22

Teachable Moments

Purchasing

“Purchasing and handling merchandise and supplies is a major responsibility for managers. Retail operations such as pro shops, general stores, and food and beverage outlets purchase resale merchandise and products on a regular basis. The need to purchase at the best price and receive and handle incoming items properly requires the ongoing attention of department heads.

Even those without resale operations may purchase large quantities of consumable supplies such as cleaning products, ware wash chemicals, pool chemicals, laundry products, etc. These consumable supplies can represent a major cost for the club and their purchase price, handling, and use should be carefully monitored by managers.

A club should establish purchase authority and limits for all club purchases and managers should be made fully aware of these requirements. For an example of a policy on purchase authority and limits, see Accounting Policy, A-4001, Purchase Authority and Limits, on the Club Resources International website.

Managers involved in purchasing must always seek the best price by shopping around with multiple purveyors. Again, a policy example can be found at Accounting Policy, A-4005, Competitive Pricing.

Purchasing managers must also understand the pitfalls of receiving gifts from vendors and purchase rebate programs as spelled out in Accounting Policies, A-4010, Gifts from Vendors and A-4015, Purchase Rebate Programs. Managers must abide by the highest standard of ethics as spelled out in these policies, as well as the Managers Code of Ethics.”

- Ed Rehkopf, Basic Accounting and Financial Management for Managers

Take Away: Managers must be aware of and follow all the requirements of a club’s purchasing policies.

#23

Receiving

Teachable Moments

"When received, all purchased items must be inspected to ensure the correct item, count and/or weight, and that all items are undamaged or unspoiled. It is also important that any authorized employee receiving a purchased item carefully inspect the item to ensure it is the item ordered, is complete, intact, and has the correct count and/or weight.

Items received should be carefully compared to items listed on the packing slip, purchase requisition, or purchase order. The receiving employee indicates the order is correct and complete by writing 'Received,' signing, and dating the packing slip, purchase requisition, or purchase order.

After inspecting the order and ensuring that it is correct and intact, the employee should file the receiving paperwork (packing slip, purchase requisition, or purchase order) in a departmental receiving file until the vendor invoice is received.

Upon receipt of the vendor invoice, the authorized employee will:

1. Attach the approved purchase requisition, purchase order, and/or packing slip to the invoice,
2. Stamp and date the invoice with an invoice coding stamp supplied by the accounting office,
3. Initial and date the invoice coding stamp if the invoice agrees with the items received, and
4. Resolve any discrepancies as soon as possible with the vendor and note resolution on the invoice.

The invoice is then coded with the appropriate expense coding, approved by the department head, and forwarded to the accounting office for processing and payment. The accounting office will process invoices on a regular schedule and then submit them to the general manager for approval.

In approving invoices for payment, the general manager should cancel or invalidate the invoice by marking through it and signing it (or some other indelible marking to indicate it has been approved for payment and cannot be submitted again for another payment). Once approved, disbursements are made."

- Ed Rehkopf, Basic Accounting and Financial Management for Managers

Take Away: Managers who receive merchandise and supplies for the club must be familiar with and consistently follow receiving policies.

#28 Expense Coding Standards

Teachable Moments

“Coding standards are established to ensure that all purchasing managers correctly code their invoices and that all coded invoices turned in to the accounting office are coded correctly and accurately. Correct and accurate coding of invoices by all purchasing managers would greatly reduce the workload of the club controller, thereby permitting him or her to focus on other pressing issues and assisting department heads and the general manager with other accounting issues and outreach programs.

One controller estimates that 50% of the time spent in processing payables could be saved by purchasing managers correctly and accurately coding their invoices.

Coding Standards for all invoices include:

1. Using a Coding Stamp. This stamp should be ordered by the controller and distributed to all managers who will be coding invoices.
2. Entering the month and department to which the expenses will be charged.
3. Entering the General Ledger account code from the club’s chart of accounts. It’s a helpful discipline to create and use an expense dictionary to aid in consistent coding of purchased items.
4. Entering the corresponding total dollar amount charged to each account code.
5. A notation indicating what the charge(s) are for.
6. The coding manager’s signature or initials.
7. The date the coding takes place.”

- Ed Rehkopf, Basic Accounting and Financial Management for Managers

Take Away: Purchasing managers must know and consistently follow standards when coding expenses.

#33 Benchmarking Caveats – 1

Teachable Moments

"There are several cautions that must be given to managers preparing to benchmark.

1. **There are as many aspects of an operation to measure as time, resources, and ingenuity will allow**

   Managers have limited time to spend on the process of collecting, organizing, summarizing, and analyzing data and should avoid a common pitfall – allowing benchmarking to become an end in itself rather than a means to a better understanding of the business. As a result, they should select their benchmarks carefully. Key benchmarks must represent operational practices and processes that are essential to departmental success or to solving problems.

2. **Data used in benchmarking must be defined and collected in a consistent manner**

   If for the past five years a club dining room has defined meal counts by servers counting the number of members on each check and entering that information into the POS, it will not do to change the definition of a meal to the number of entrees sold. Such comparisons will be distorted. At the very least, if such a change is necessary, it should be prominently noted and considered when comparing data from different periods. While this is usually a problem for data collected by hand, it should also be kept in mind if POS devices are changed or reprogrammed.

   Often problems occur with consistency when procedures for collecting data are not well defined or collected by different individuals with an imperfect understanding of the process. If a procedure calls for all guests entering a pool to be counted separately from members, an inattentive or poorly trained lifeguard may lump everyone together. Particular care must be taken to train accounting or other employees who take numbers off POS reports to ensure they get the right numbers. Mistakes are made when several numbers must be selected and added together to serve as a key benchmark. The opportunity for error increases proportionally with the number of different people assigned this task and the number of manual steps involved in obtaining or deriving data.

   Other measures that require subjective evaluations such as rest room inspection scores may be distorted by one inspector who has a radically different understanding of what a clean bathroom is. In such cases, it is best to limit the number of people conducting inspections or attempt to train all inspectors to a uniform standard.

3. **When comparing data, it is important to compare like to like**

   Comparing lunch sales for one month to dinner sales for another month is meaningless. The two meal periods have different member dining patterns and menu prices are significantly different. "

- Ed Rehkopf, Basic Accounting and Financial Management for Managers

Take Away: Managers and Department Heads must understand and avoid the pitfalls of benchmarking.

About the Author

Ed Rehkopf is a graduate of the U.S. Military Academy and received a Masters of Professional Studies degree in Hospitality Management from Cornell's School of Hotel Administration. During his long and varied career, he has managed two historic, university-owned hotels, managed at a four-star desert resort, directed operations for a regional hotel chain, opened two golf and country clubs, worked in golf course development, and launched a portal web site for the club industry.

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