

**Career, Technical and Agricultural Education
(CTAE)**

**Handbook of Operations for
School-Based Enterprises**



TABLE OF CONTENTS

	<u>Page</u>
A. Introduction	1
1. Purpose	1
2. Store Objectives	1
3. Principal's Responsibilities	1
4. Sponsor's Responsibilities	2
B. Store Operations	3
1. Opening a School Store	3
2. Food Products	3
3. Purchasing	5
4. Pricing	6
5. Security	6
6. Internal Controls	7
7. Interfund Transfers	7
8. Physical Inventories	7
9. Slow-moving and Unsalable Merchandise	8
10. Losses or Significant Profit Shortfalls on Store Operations	9
11. Discontinuing Store Operations	11
C. Records and Reports	11
1. Local School Financial Records and Reports	11
2. Sponsor Records	11
3. Profit or Loss Statement	12
Appendix	13
1. Physical Inventory of Salable School Merchandise (Instructions and Form)	

INTRODUCTION

1. Purpose

- a. This handbook provides instructions and guidance for the operation of school stores in the Clayton County Public Schools (CCPS). It is intended to give the local school Principal maximum responsibility and accountability for the operation of the school store, with a minimum of specific requirements or restrictions.
- b. This handbook is for the use of Principals, business managers, store sponsors, financial agents, and any other CCPS employees involved in school store operations. It also may be helpful in the administration of other school programs that are similar to school stores (Coffee Shops, Kiosks, etc.)

2. Store Objectives

School stores are generally operated with one or more of the following objectives:

- a. To provide a convenient place for students to purchase merchandise that contributes to the educational program or which is purchased for other approved activities.
- b. To generate earnings to help support other school activities.
- c. To provide business experience to the students through the Marketing Career Pathway in CTAE (DECA student organization)
- d. To promote school spirit by selling items of clothing and school supplies bearing the school name.

The relative emphasis placed on these four objectives may vary from school to school, but these variances do not in any way affect the applicability of the provisions of this handbook.

3. Principal's Responsibilities

- a. The principal has the authority to decide whether or not a store shall be operated on the school premises. He/she has the authority to establish a school store where none is in existence or to abolish an existing store when, in his/her judgment, it is in the best interest of the school to do so.
- b. The principal shall appoint the school store sponsor to be responsible for the day-to-day operation of the store. Some of the qualities that the principal should look for in a sponsor are:
 - 1) integrity
 - 2) dependability
 - 3) rapport with students
 - 4) retail, business, or accounting experience
 - 5) availability when the store is open
 - 6) interest and enthusiasm
 - 7) willingness to devote the time and effort necessary to ensure a successful store operation

- c. The principal may establish such policies, requirements, and restrictions for the operation of the school store as he/she deems appropriate as long as they are not inconsistent with the requirements of the Local School Accounting Manual or other applicable CCPS policies and procedures.
- d. The principal is responsible for ensuring that the merchandise offered for resale is appropriate for a school store. The principal may approve or restrict a specific list of items to be sold.
- e. The principal should make a general review of store operations annually and evaluate stock levels, pricing practices, profitability (including a review of the profit or loss statement), and type of merchandise offered for resale.
- f. The principal should examine monthly financial reports (School Funds Online) prepared by the school bookkeeper, and be responsive to problems, such as excessive purchases in relation to sales, a substantial decrease in sales compared with the previous month or previous year, or a deficit in the account. If additional information is desired, a monthly Account History report is also available showing all the transactions incurred by the store during the month.
- g. Upon written request of the sponsor and approval of the principal, profits from school store operations may be transferred to other Local School accounts for use in financing other authorized school activities.

4. Sponsor's Responsibilities

- a. The sponsor is responsible for the day-to-day operation of the school store in compliance with the requirements of this handbook and CCPS Business Services and Purchasing Department Manual.
- b. Subject to any instructions or restrictions prescribed by the Principal, the sponsor is responsible for:
 - 1. establishing the operating hours of the school store
 - 2. selecting and supervising students who work in the store
 - 3. purchasing merchandise for resale
 - 4. establishing the selling price of merchandise
 - 5. ensuring the physical security of merchandise and cash
 - 6. ensuring that periodic physical inventories of merchandise are taken
 - 7. ensuring the cleanliness of the store premises, particularly if food items are sold
 - 8. maintaining necessary store records
 - 9. furnishing the bookkeeper with the data needed to maintain the school store account in the local school accounting software
 - 10. preparing a profit or loss statement at least annually at the end of the school year

B. STORE OPERATIONS

1. Opening a School Store

- a. After a decision has been made to open a school store, a sponsor must be appointed (see item A.3.b above). The principal and/or sponsor must determine the location of the store, the hours of operation, the types of merchandise to be sold, and the quantity of each item to be stocked.
- b. In selecting a location for the store, consideration should be given to a central location convenient to students and one that can meet the security criteria (see item 5).
- c. At most CCPS schools that have school stores, the stores open before the first class of the day, during the lunch period, and/or after the last class of the day.
- d. Depending upon the objectives of the school store, the school may elect to sell such items as school supplies, items of clothing bearing the school name or insignia, shop and craft materials, school and class jewelry, and approved food items.
- e. Upon initial opening of a store, it is recommended to be conservative in the quantities purchased. Overly optimistic estimates of demand can result in excess inventory, which may eventually have to be sold at a loss. Schools of comparable size that have had stores for several years may be a good source of information about probable demand.

2. Food Products

- a. The sale of certain types of candy, carbonated soft drinks, and chewing gum is prohibited until after the end of the last lunch period. For items approved for sale before lunch, see the list of foods recommended by the School Food and Nutrition Department. *See below.

*** FOODS OF MINIMAL NUTRITIONAL VALUE**

Federal regulation 7CFR.210.11(b) prohibits the sale of foods of minimal nutritional value (FMNV)* in the food service areas during the school meal periods. Georgia State Board Rule 160-5-6-.01(2)(a)2(ii) prohibits the sales of FMNV as prescribed by federal rule.

1. Elementary schools, defined as PK-5, are prohibited from selling FMNV from the beginning of the school day (12:01am) until that time when the last class/group of students eating lunch is scheduled to return to class and
2. All other schools are prohibited from selling FMNV in the dining, serving, and kitchen areas during mealtime.
3. The United States Department of Agriculture (USDA) defines foods of minimal nutritional value (FMNV) as those foods which provide **LESS** than 5 percent of the United States Recommended Daily Allowance (USRDA) for each of the eight specified nutrients per 100 calories **AND** less than 5 percent of the USRDA for each of eight specified nutrients per serving. The eight specified nutrients to be evaluated are protein, vitamin A, vitamin C (ascorbic acid), niacin, riboflavin, thiamin, calcium, and iron. In the case of artificially sweetened foods, only per serving measure would apply.
4. USDA realizes that states and local school food authorities (SFAs) may find it difficult to apply the 5 percent rule to each food item sold on school premises. Therefore, USDA has established a more practical method to evaluate FMNV. USDA has identified four categories

of food items that are considered to be FMNV. States and SFAs must restrict those foods which are included in the four categories of FMNV.

5. The four categories of FMNV are ***soda water/carbonated beverages, water ices, chewing gum, and certain candies***. The types of food items belonging to each category are defined as follows:

- a. ***Soda water/carbonated beverages*** - A class of beverages made by absorbing carbon dioxide in potable water. The amount of carbon dioxide used is not less than that which will be absorbed by the beverage at a pressure of one atmosphere and at a temperature of 60°F. It either contains no alcohol or only such alcohol, not in excess of 0.5 percent by weight of the finished beverage, as is contributed by the flavoring ingredient used. No product shall be excluded from this definition because it contains artificial sweetener or discrete nutrients added to the food, such as vitamins, minerals, and protein.
- b. ***Water ices*** - Water ices are the foods prepared from the same ingredients and in the same manner prescribed for sherbets, except that the mix need not be pasteurized and complies with all the provisions as sherbet (including the requirements for label statement of ingredients), except that no milk or milk derived ingredient, and no egg ingredient other than egg white, is used. Water ices include foods that are artificially or naturally flavored with non-fruit or non-fruit juice flavorings. However, a frozen product with fruit or fruit juice or with milk or milk products is ***NOT*** classified as a water ice. Unless the following types of products have an exemption for a specific product, they are considered FMNV:
 - i. Frozen, water-based bars - water ices
 - ii. Frozen coffee/tea drinks - water ices
 - iii. Partially frozen drinks - water ices
 - iv. Frozen pickle juice/brine - water ice
 - v. Soda water floats - soda water; while these items contain ice cream which is not an FMNV, the main ingredient is soda water.
- c. ***Chewing gum*** - Flavored products from natural or synthetic gums and other ingredients which form an insoluble mass for chewing.
- d. ***Certain candies*** - Processed foods made predominantly from sweeteners or artificial sweeteners with a variety of minor ingredients, which characterize the following types:
 - i. ***Hard candies*** - A product made predominantly from sugar (sucrose) and corn syrup which may be flavored and colored; is characterized by a hard, brittle texture; and includes such items as sour balls, fruit balls, candy sticks, lollipops, starlight mints, after-dinner mints, sugar wafers, rock candy, cinnamon candies, breath mints, jaw breakers, and cough drops.
 - ii. ***Jellies and gums*** - A mixture of carbohydrates, which are combined to form a stable gelatinous system of jellylike character; are generally flavored and colored; and include gumdrops, jelly beans, jellied and fruit-flavored slices.
 - iii. ***Marshmallow candies*** - An aerated confection composed of sugar, corn syrup, invert sugar, 20 percent water, and gelatin or egg white, to which flavors and colors may be added.
 - iv. ***Fondant*** - A product consisting of microscopic-sized sugar crystals, which are separated by a thin film of sugar and/or invert sugar in solution such as candy corn or soft mints.
 - v. ***Licorice*** - A product made predominantly from sugar and corn syrup which is flavored with an extract made from the licorice root.

- vi. Spun candy - A product that is made from sugar that has been boiled at a high temperature and spun at a high speed in a special machine.
 - vii. Candy-coated popcorn - Popcorn which is coated with a mixture made predominantly from sugar and corn syrup.
- b. If candy or other food items are sold by the school store, the merchandise must be stored in a clean, sanitary environment.

3. **Purchasing**

- a. Merchandise should be purchased only from reliable vendors with a record of supplying high quality merchandise. Store sponsors are encouraged to exchange information about sources and reliable vendors with sponsors at other schools. Purchasing policies and procedures should be followed at all times.
- b. The store sponsor may request assistance from the CCPS Purchasing Office as warranted by the size or nature of purchases. For example, repetitive purchases of high-volume items by one or more stores may provide an opportunity for the consolidation/coordination of requirements and concentrated buying efforts by the Purchasing Office.
- c. Merchandise should be purchased in quantities that can reasonably be expected to be sold within one year. Be aware that purchasing in large quantities in order to obtain a lower price could result in a false economy by tying up funds and negating any future discounted prices. Make sure you understand the terms and possible consequences of buying in bulk. Sponsors should exercise special care in ordering items bearing the school name or insignia. They should also be cautious when ordering quantities of high-priced items, such as articles of clothing, which may be beyond the means of most students. Sponsors should have a clear understanding of the vendor's policy concerning the return of unsold merchandise. For expensive items, including lettered, non-returnable clothing, it may be desirable to have advance sales before making large purchases, to avoid losses from unsold merchandise.
- d. The sponsor should receive, inspect, and count incoming merchandise to ensure that it is the correct merchandise and quantity ordered and that it is in good condition. Damaged or defective merchandise, as well as merchandise that is not the type or quantity ordered, should be returned **promptly**, within five days, to the vendor.
- e. The sponsor should establish credit with vendors so that purchases can be made via local school check or school purchasing card. Purchases may also be made on PeopleSoft requisition or check request and charged to a reimbursable code. All purchases must be made in accordance with Board Policy DJE and procedure P.DJE and P.DJEB.

4. **Pricing**

- a. The sponsor, in accordance with any instructions or guidelines received from the principal, should establish the selling price of merchandise.
- b. In commercial practice, selling prices are generally established by addition of a percentage - known as the "markup" - to the cost of each item. For example, a 20 percent markup on an item with a unit cost of \$0.50 results in a selling price of \$0.60. A sponsor may use the same markup for all items purchased for resale or use a different markup for different items or classes of items. For example, a higher markup may be used for luxury items such as candy and a lower markup used for essential school supplies such as pencils and erasers. In some

cases, the manufacturer or vendor provides a recommended selling price, but the school is under no obligation to follow that recommendation.

- c. The term “gross profit margin” is used for the purpose of preparing the profit or loss statement described in section C.3. In the example of 4.b, the unit sales price of \$0.60, less a cost of \$0.50, results in a gross profit of \$0.10, divided by the sales price of \$0.60 equals a gross profit margin of 16.7 percent.
- d. Selling prices should be set at or below cost only when necessary to sell slow-moving or obsolete merchandise (see item 9.d. below).

5. Security

- a. The school store should be located in quarters that can be securely locked and where forced entry would be difficult.
- b. The number of keys to the store should be kept to a minimum. Keys should be given only to those persons who need unrestricted access to the store. This is the greatest control mechanism in reducing shrinkage (theft) of inventory. Under no circumstances should a student have keys.
- c. If a key is lost or if there is reason to believe that a key is in the hands of an unauthorized person, the sponsor should change the lock to the school store.
- d. The store sponsor or another authorized adult school employee should open and close the store. Students should not open or close the store.
- e. Students may work as salespersons under the supervision of the store sponsor or another authorized adult school employee. The school store sponsor or other authorized adult school employee should oversee operations whenever the store is open. The number of persons in the store at any given time should be limited to those that will allow the sponsor or authorized school employee to adequately observe sales transactions.
- f. If high-priced items are carried in stock, sponsors should pay particular attention to the security over the inventory and should control sales of such items.

6. Internal Controls

- a. The school store operation must be reflected in the Local School financial records. All receipts must be turned in to the school bookkeeper for deposit in the Local School bank account. The store may not maintain a separate bank account. Disbursements must not be made by cash out of store receipts, except to pay for merchandise returned by customers. School store operations are subject to periodic audit by the CCPS Internal Audit Department.
- b. The sponsor may establish a change fund in a fixed amount as needed. The size of the change fund should be the minimum needed to facilitate store operations. The change fund should be turned into the school bookkeeper for deposit in the Local School bank account at the end of each school year.
- c. If possible, a cash register should be used to record sales. If the cash register has a tape and sales are rung-up on the register, at the end of the sales day the cash in the register along with any change fund can be reconciled to the sales on the tape, thereby providing an additional

internal control measure. If there is no cash register, a cash box should be used, preferably a metal box designed for this purpose.

- d. Cash receipts should be turned in daily to the school bookkeeper.
- e. Cash receipts should **always** be turned in to the school bookkeeper in amounts that are exactly equal to sales, not in round amounts. Therefore, after receipts have been turned in, the only cash left in the cash register or cash box should be the fixed change fund.
- f. The change fund and any cash receipts held overnight at the school must be stored in a locked safe per Local School Accounting Manual.

7. Interfund Transfers

- a. Occasionally, school store merchandise may be requisitioned for use by the school office, by a teacher for use in a classroom, or by another Local School activity. Sponsors should treat such transfers of merchandise as sales and should report such sales to the bookkeeper for entry in the local school accounting software.

8. Physical Inventories

- a. The school sponsor must take a physical inventory at the end of each school year for two purposes:
 - 1) To include the inventory in the school's annual financial report.
 - 2) To prepare a yearly profit or loss report (see item C.3).

Making frequent physical inventories is desired and the sponsor may take these at other times, as directed by the principal. Please note that it is necessary to take a physical inventory whenever a profit or loss statement is prepared, or the sponsor is changed.

- b. If the store has been operating at a loss or with an unexplained large profit shortfall, a physical inventory should be taken at more frequent intervals in order to closely monitor operations and help determine the causes of losses.
- c. After a break-in of the school store, a physical inventory should be taken before the store reopens for business in order to obtain an estimate of the loss.
- d. Whenever possible, the physical inventory should be taken by or with the assistance of independent persons (i.e., persons other than the store sponsor or sales personnel).
- e. The physical inventory shall be recorded on CCPS form, *Physical Inventory of Salable School Merchandise (appendix)*. Those participating in the inventory process must sign or initial the form in the space(s) provided. Both the selling price and unit cost of each item of merchandise shall be entered on the form. The selling price is entered for information only and is not used in *valuing* the inventory. The number of units on hand is multiplied by the unit cost of each item and entered in the total cost column. The total of the total cost columns is the value of the inventory.
- f. Inventory shall be valued at cost with the exception of obsolete or slow-moving merchandise which may be marked down for sale to below its original cost. Since it is already known that the merchandise must be sold at a loss, the loss has, in effect, already occurred. To value such merchandise at cost would risk concealing that loss, perhaps for several years, by carrying it at

an unrealistically high value. The marked-down selling price should, therefore, be entered in the unit cost column. If any merchandise is to be disposed of other than by sale, it should be listed in the physical inventory at no value. It is suggested that all marked-down items be grouped together in a separate section of the inventory.

9. Slow-moving and Unsalable Merchandise

- a. In spite of the best efforts to limit quantity purchases that can be sold within a year, occasionally, changing fashions, circumstances, or mistakes in purchasing may result in the accumulation of excess quantities of merchandise.
- b. The principal and the sponsor should be constantly alert to the accumulation of excess quantities of merchandise. The total physical inventory should be considerably less than total sales for the year, and a comparison of these two figures may reveal an obvious problem. Even if the total inventory is not excessive, there may be excess quantities of individual items. The sponsor should analyze the physical inventory and check the purchase dates of any items for which large quantities are on hand. Any items purchased more than a year earlier and any items purchased during the current year, for which few sales have been made, should be considered for special action.
- c. Shelf and storage spaces in a store are valuable, and the school should not retain slow-moving merchandise for a long period in the hope of eventually selling it at a profit. Also, delay in disposing of slowing-moving merchandise may substantially reduce the chance of ever obtaining any value for it.
- d. The most common method of disposing slow-moving merchandise is to mark it down to cost or below cost. This method may be accompanied by an advertising campaign to acquaint student with the bargains that are available. If the merchandise bears the school name or insignia, this may be the only practical method of disposal.
- e. In some cases, it may be possible to return merchandise to the vendor for credit, particularly if the difficulty in selling it can be attributed to any defect in the product or to misrepresentation by the vendor. Also, if the school is a good customer of the vendor and the merchandise is in good condition, the vendor may accept return as a goodwill gesture.
- f. If the merchandise does not bear the school name or insignia, it may be possible to sell it to other CCPS schools. The sponsor may contact individual schools or place an advertisement in a CCPS system-wide publication.
- g. Unsalable merchandise may be donated to classes, clubs, or other approved school organizations that have use for it.
- h. The sponsor should maintain a record of all merchandise sold at below cost or disposed of other than by sale, including giveaways. Such a record may be helpful at a later date in determining the reasons for a loss on store operations or a lower profit than expected (see 10.e below). The principal may require to be advised of markdowns below cost or other disposal actions and may wish to require advance approval in some circumstances. Such approval should be required whenever the action is considered of sufficient value to have an effect on operation results.
- i. If the merchandise cannot be disposed of by any of the above methods, it should be turned over to the CCPS Supply Warehouse for disposal. The school should not destroy merchandise, dispose of it as trash, sell, or give it to any person or organization outside of CCPS.

10. Losses or Significant Profit Shortfalls on Store Operations

- a. Whether or not the generation of earnings to support other school activities is a primary objective of the school store, the store should break even or realize a small profit. The monthly and year-end General Ledger report and the monthly status report (Account History) provide only a general indication of the health of the school store operation. The fact that receipts exceed disbursements and that the closing balance shows a surplus in the school store account does not necessarily mean that the store has operated at a profit.
- b. In order to determine whether a profit has been realized or a loss has been incurred, the sponsor must prepare a statement of profit or loss, taking into account the beginning and ending inventories and accounts payable related to store operations. The statement is discussed in item C.3 below.
- c. If the profit or loss statement is accurately prepared and a loss is incurred, it is usually an indication of serious problems in the operation of the store. This also can apply to unexplained significant profit shortfalls, provided that the computation of expected profits is accurate. In some cases, the causes are known and the loss (or profit shortfall) is anticipated, but in many cases, the statement of profit or loss is the first indication of trouble and comes as a surprise to the principal and the sponsor.
- d. Before any time is spent searching for the cause of the loss (or profit shortfall), the statement of profit or loss should first be checked for accuracy and that a loss actually has been incurred. Further, if a large profit shortfall is indicated, the accuracy of the expected profit computation should be specifically checked. This is especially important for stores selling items with varying profit margins within a single store account. Have the instructions been followed correctly and do the figures agree with the figures on the Local School Funds financial reports where indicated? Are the school store inventories listed on the beginning and ending inventory statements? Are the accounts payable listed on the beginning and ending accounts payable statements accurate, and do they include only liabilities related to store operations? The sponsor must recheck all additions and subtractions.
- e. The possible causes of a loss (or large profit shortfall) on store operations are many and include incomplete or inaccurate physical inventories, sales or other disposition of excess merchandise at below costs, giveaways, errors in accounting, and theft. In searching for the cause of loss (or profit shortfall), some or all of the following questions should be asked:
 - 1) **Is the ending inventory complete and accurate?** Understanding the ending inventory would increase the cost of sales and reduce the profit for the period. The sponsor should scan the inventory for omissions of major items or any unit costs or totals that appear incorrect. If there is any question about the accuracy of the inventory, a second count should be made, preferably by two persons or by someone other than the person who made the first count. All unit costs, multiplications, and additions should then be checked, preferably by someone other than the person who previously performed these functions.
 - 2) **Was the beginning inventory accurate?** Any overstatement of the inventory at the end of the previous period would have inflated the profit for that period and would reduce the profit for the current period. The sponsor should scan the inventory for any quantities, unit costs, or totals that appear incorrect. While it is too late to verify any quantities which appear suspect, it is still possible to recheck the unit costs, multiplications, and additions of the prior period's ending inventory.

- 3) **Has any merchandise been sold or included in the ending inventory at below costs or given away?** If the record (mentioned in 9.h above) has been maintained, it should be possible to make an accurate estimate of the loss on sale or disposal of merchandise at below costs and to compare it with the overall results for the period.
- 4) **Has the sponsor maintained the sponsor records required (section C.2 below) and compared them monthly with the Local School reports prepared by the bookkeeper?** If not, and if the statement of profit or loss was prepared from Local School records, the Local School records should be checked to ensure that all cash receipts turned in by the school store sponsor have been properly credited to the school store account. The records also should be checked to ensure that there have been no erroneous charges to the school store account that should have been charged to other Local School accounts.
- 5) **Has any merchandise been used by the school office, by a classroom, or by another Local School account activity without being paid for by a transfer of funds from another Local School account?** (See section B.7 above)
- 6) **Have the security procedures in section B.5 been followed?** Have all keys to the store been accounted for at all times? Is there any reason to suspect that a key may have fallen into the hands of an unauthorized person?
- 7) **Was there any evidence of a break-in of the store during the period?** If so, was a physical inventory taken immediately to obtain an estimate of the loss? Was a report made to a competent authority?
- 8) **Has the store always been opened and closed by the sponsor or another authorized adult school employee and has an adult been present at all times when the store has been open?**

f. If the answers to the above questions do not provide a satisfactory explanation of the loss (or significant profit shortfall), it is suggested that the lock to the school store be changed. Further, store operations should be closely monitored during the ensuing year. This should include the taking of a physical inventory and preparing a profit or loss statement at least once or twice during the school year in addition to the year-end, so that the principal can review and evaluate continuing operational results.

11. Discontinuing Store Operations

- a. If the principal decides to abolish the school store, the decision should be made as early as possible in the school year in order to provide time for an orderly liquidation of the inventory.
- b. Once such a decision has been made, purchasing of merchandise should be discontinued or limited to small quantities of popular items that are certain to be sold before the end of the school year.
- c. Sales of items that are in large supply should be closely monitored. If it does not appear that these items will be sold by the end of the school year, then they should be marked down and advertised at an early date.
- d. The methods described in section B.9 above should be used to dispose of merchandise that cannot be sold by the end of the school year.

C. RECORDS AND REPORTS

1. Local School Financial Records and Reports

- a. A school store account should be established in the Local School Accounting Software.

- b. A monthly status report (Account History) of the account is sent to the sponsor. This report should be compared with the sponsor's informal records (see below). Any discrepancies should be immediately reconciled with the bookkeeper. A copy of the report should be kept on file.

2. Sponsor Records

a. Records and Reports

As discussed above, the sponsor receives from the bookkeeper a monthly report showing all transactions recorded in the account. The sponsor should reconcile the retained copies of receipts, disbursements, and transfer documents to the Account History report monthly. All discrepancies should be resolved promptly with the bookkeeper.

b. Purchases

The sponsor must maintain a detailed record of all merchandise purchased. The record must provide the cost of each item for use in pricing the physical inventory and the date of purchase of each item for use in identifying slow-moving or unsalable merchandise. A file of paid invoices organized in a manner to facilitate ready retrieval of information usually is sufficient to meet this requirement.

c. Marked-down Merchandise and Giveaways

As noted in section B.11.e, the sponsor should maintain a record of merchandise marked down below cost or disposed of other than by sale, including any giveaways. The record should include the quantity of each item, the unit cost, and the marked-down price. For merchandise disposed of other than by sale, the method of disposal should be recorded.

3. Profit or Loss Statement

- a. A statement of profit or loss should be prepared at least at the end of the school year. The sponsor should prepare it with the assistance of the business manager or the bookkeeper, as necessary. Where conditions are warranted, a statement should be prepared at least once or twice during the school year, in addition to the year-end. If separate accounts are established by class of merchandise (e.g., candy, clothing, supplies, etc.), separate profit or loss statements should be prepared. If a change of sponsor occurs during the school year, a profit or loss statement (along with a physical inventory) must be done at that time.
- b. After computing the gross profit or loss, a profit or loss analysis must be made. The fact that the school store account shows a profit does not necessarily indicate that operations are being managed effectively or that profit shortfalls are not occurring. The actual results need to be compared with the expected profit. If actual results are not in line with expected profits, the reasons should be determined. The possible causes for losses or profit shortfalls are described in section B.10. It should be noted that the determination of profit shortfalls depends on the accuracy of the expected profit computation. Accordingly, the instructions for this computation should be followed carefully.
- c. Sponsors should review the completed profit or loss statement with the bookkeeper and the business manager, if applicable. A copy should be forwarded to the principal with any necessary explanations for losses or profit shortfalls.

Appendix



PHYSICAL INVENTORY OF SALABLE SCHOOL MERCHANDISE

INSTRUCTIONS: See next page

ENTER INFORMATION ON BLANK AREAS OF FORM.

School Name, School Number, Inventory of, Account #, Date Taken, Location, Supervised By, As of Date, Taken By

Table with 6 columns: Selling Price Per Unit, Description of Merchandise, Type of Unit, Number of Units on Hand, Unit Cost, Total Cost. Includes a 'Total (this page)' row and a 'Total All Pages' footer.

INSTRUCTIONS FOR COMPLETING PHYSICAL INVENTORY OF SALABLE SCHOOL MERCHANDISE

DEFINITION

Salable school merchandise consists of merchandise purchased for resale through the school store, vending machines, fundraisers, or any other activity. Merchandise must be the property of the school and not owned by an outside vendor in order to be included in the school inventory.

Instructions:

1. Physical Inventory shall be taken:
 - a. Semiannually as of December 31 and June 30 or more often at the discretion of the school
 - b. Of all salable merchandise on school premises whether still in unopened bulk form and in stock or already for sale in vending machines and on shelves.
2. **Inventory** is used to indicate the general inventory.

Examples: T-Shirts, Candy, Soda, School Store, Yearbooks
3. **Location** is used to indicate the physical location (room number, etc.) within the school building where the subject inventory is stored.
4. **As of Date** is used to indicate the cutoff date at the end of the month for which the data was developed. See 1.a. above as an example.
5. **Explanation of Columns**

1. **Selling Price Per Unit**

Show for each type of merchandise for information and future audit reference

2. **Description of Merchandise**

Insert the description of the merchandise

Example: Paper, notebook, 3-hole; Binder, notebook, 2 inch; Soda, 12 oz. cans

3. **Type of Unit**

The quantity contained in the word unit and is the item issued to customers.

4. **Number of Units on Hand**

The actual physical count of the units on hand for sale (number) whether the item is still in unopened storage boxes or on the shelves.

5. **Unit Cost**

For each type of merchandise shown from the latest invoice received from the vendor.

6. **Total Cost**

The number of units in Column 4 multiplied by the cost per unit in Column 5.