Bookstore Finances

by Eduardo Nieto

People open Christian bookstores for many reasons. Some consider them to be opportunities to serve the Lord. Others do it because they like to meet with people.

But whatever the initial motivation for going into the retail business, they soon find out that it is necessary to have a good understanding of key financial documents and to pay close attention to inventory.

Key financial documents

There are three essential documents bookstore managers must understand. There are the budget, the cash flow projection, and the profit and loss statement (also known as income statement. Each of these documents is very important.

Budget. The budget lays out what will occur in the month to come. If you want to keep good financial control, check each payment in your budget in a disciplined manner. Consider the sales volume you must generate according to the budget. Involve the staff to meet your budget goals. Are there too many sales staff making too few sales?

Cash flow projection. This documenthelps you determine whether sufficient cash will be available to meet expenses. In this way you can know what day you can expect to receive payments, to counter-balance the payment of any invoices you are expected to pay on that date. Keep track of your budgeted expenses and your capacity to pay these according to your cash flow.

Some bookstores extend credit to customers. At a minimum, maintain accurate records with a list of the clients, the amounts they owe, and the date payments are due. Keep an eye on which client accounts are up to date and which are not.

Profit and loss statement. This statement shows all of the past month's transactions, including both accounts payable and receivable. A capable bookstore manager should be able to analyze the statement and calculate gross and net profits. If your expenses are greater than gross profits, the business is on its way to bankruptcy. Bookstore managers must control fixed expenses.

Inventory control

Depending on the profit margin, bookstore managers can plan greater investment in inventory to potentially increase sales. Since a business can fail, even with a warehouse full of inventory, plan purchases so that the most rapidly moving stock is placed on the shelves. The greater the movement of inventory, the greater the profit margin. Buy in order to sell.

How do we know what sells? Business acumen is vital in determining the preferences of the clientele—the author that most sells, the Bible that is in greatest

A bookstore manager's business acumen is vita in buying inventory tha serves clients' needs.

demand, etc. Ask customers what they want. However, do not give any single item all of your attention, even if it is a best-seller. Stock a variety of material. Purchases must be controlled and physical inventory must be reviewed constantly to promote all stock that has not sold the previous year.

If a bookstore manager is conscientious, the tools described here will enable him or her to run a financially-sound bookstore.❖

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