I was asked to review the business records to see if the Financial Reports have improved. I found that both Financials AND Retailer attitude has in fact improved!

May 12, 2020

RE: Larry Cheeseman dba Cheeseman’s General Store, Rockwell NC

We were asked to review the Financial Statements for Larry Cheeseman comparing 2014 to 2013.

The following represents our thoughts and recommendations after our review of Cheeseman’s General Store business reports:

It is difficult to determine exactly when Larry implemented the changes that were discussed and recommended during my consult visit in March 2020. We estimate he gradually implemented the recommendations I suggested and for purposes of comparison, we’re assuming there were 7 months in 2014 of operation with ‘changes’.

1. Our initial observation is that Larry is still lacking proper business reports. Meaning we do not believe the accounting service he is using fully understands what Larry really needs to manage his business. For example, I strongly recommended both vocally and in writing during our discussions, that his Financials should include categories represented on the samples I left with him.
2. For example, In 2019 Cigarettes and Tobacco was combined (both sales & COG). The GP% was 41.5% which we know to be incorrect. In 2020 Cigarette Sales and Tobacco sales are separated *BUT* the COG is combined for 11.9 GP%, this is low, but we don’t know if it’s because cigarettes were stolen, not received from vendor or OTP (tobacco) is off.
3. The same holds true for ‘Drinks’. In 2019 there was no category for Drinks. It was assumed drinks were combined with the ‘Grocery’ category. The 2020 GP% for Drinks was 36.4%. Benchmarks guidelines for Fountain drinks are 50 – 60% GP, and can/bottle 30%. Without separate categories for these products we cannot determine what is causing the lower GP number.
4. Operating expenses for 2020 are within benchmark guidelines at 87% of GP. However there are some expense categories that could use closer evaluations, i.e., Security, Store Supplies & Worker’s Compensation.
5. The overall Gross Profits have shown improvement and the bottom line (net profit) has improved by $20,000 and the balance sheet reflects an increase in Assets of $20,000 +.

Larry has implemented some of the changes we recommended in the stores operation. We recommend, with respect to his Financials, more be done to help his business.

1. A good accountant demands his/her clients provide the necessary information required for the Financial Business Reports. It appears Larry’s accountant is simply taking the information supplied and generating the reports we have reviewed. (enough to meet tax requirements) The Accounting & Legal expenses for 2020 averages $400+ per month. For this type of expenditure, Larry should be getting much better information. My fear is Larry was told by his accountant that the information the outside consultant (that’s me) suggested was not necessary and probably would cost too much to provide as a service. If the current accountant cannot provide the information required perhaps a change in accountants is called for. Perhaps you have an accountant in the area you could recommend to Larry.
2. It is recommended consideration be given to Operating Statements (P&L) be generated at least each quarter, (each month would be better) to serve as timely and better management tools.

My discussions with Larry and Jean over the past year has convinced me they both ‘feel better’ about their business since our meeting. I think they will ‘feel terrific’ if more of my recommendations are implemented.

Feel free to call if you have any questions regarding the above or Larry’s business.

Best Regards,

Tom Terrono

T&S Management Services, LLC

816.550.8048