

# Bates boatyard

[Business](#), [Management](#)



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.....| 56| Issues 1. a. What would you tell Bates concerning her accounting needs, emphasizing the uses of the accounting information for all stakeholders within and without the business? 2. a. The boatyard operates how many businesses? b. What are the accounting information needs for managing these businesses? Facts

Sarah Bates a returning Navy civilian decides to buy a business with the money she has saved along all this time. Bates buys a small boatyard in a town on the coast of Maine where she had spent many summers. The business being somewhat larger than she could finance alone, she had borrowed the additional funds required from a friend, giving a mortgage on the property as security. Along this way she realized she needs adequate accounting records. The records on hand were for cash receipts and disbursement only, as well actual balance sheet and profit and loss statement.

Bates did not have any background on accounting therefore she finds help from a friend of her, who advice her on what kind of accounting records should be kept and what kind of financial and cost information should be developed to control operations and to make proper charges to customers for services rendered. Some of the facts of the business are, one of the properties was a large shed for the winter storage of boats. Since the place

was very suitable for larger boats there was a great demand for the space in it on the part of owners of expensive boats among the summer people.

Also there was plenty of empty land on the shore front outdoor storage, the space was rented and also hired to haul the boats in equipment that it had for the purpose. During spring and other seasons there was a lot of business in painting and repair work for boats. Also she had a large sized work shed containing woodworking tools and space for when the weather was not the best to work outside it could be done inside. Lastly the property included a good sized wharf and float, a store for the sale of marine hardware and supplies, and gasoline pumps.

Analysis 1. Bates did not have any proper accounting system; Bates only has record for cash disbursement and cash receipts. Bates should use the cost accounting system. This system is suitable for her as she can identify and assign the cost to each department. Bates should implement segmental reporting for each of the department so that she can assess the contribution and profitability of different departments by comparing the revenues and costs that they generate.

Based on the segmental reporting, she can identify whichever departments that contribute profit or loss to her business. At the same time she can remove the unprofitable department. Bates needs to keep other accounting records other than the cash disbursement and cash receipts. She has too many business activities without any proper accounting management. Bates should identify which activity she wants to focus more on and, to be able to make it as her core business.

Based on the segmental reporting used, Bates can analyze and determine which continuously gives profit to her. There a couple of suggestions Bates should implement on her accounting needs, first of all to implement a computerized accounting system in order to generate proper accounting records, since manual records are subject to greater human error, and can be easily misplaced. As for inventory purpose on her store, she should have an automated system that can help her keep track of inventory.

Also Bates should conduct a cost benefit analysis, she wants to invest more money from capital that she does not have at the moment by adding a fishing tackle, sporting goods, and refreshment to her retail shop and without finding out if by adding the shop would really add more value into her business. Also she needs to study on what seasons is her business more profitable, in order to use the space more efficiently and effectively, and at the same time to segregate duties accordingly to demand of customers. . a. The Boatyard operates 3 different businesses. The first one is a large shed for winter storage of boats. There is great demand for space since it is a very suitable space for boats. Also there is more space for storage and haul of boats in on equipment on the front. The second one is a large sized work shed containing woodworking tools and space to construct about six boats up to 40 feet in length at one time. This space also it could be used for painting and repair shop.

Lastly a good size wharf and float, store for the sale of marine hardware, supplies, and gasoline pumps, also a great spot for people who surfs to be around. b. One of the accounting information that Bates needs in order to manage his business, would be to calculate certain business functions costs.

Bates needs to determine how much labor is used and the amount of materials used. Since managerial accounting helps decide the amount of time spent on each customer to maximize profit. Cost Objects need to be identified for measuring and assigning costs.

For Bates there are different cost objects involved, which are; a large shed for winter storage, empty land for outdoor storage, and a yard at the same time as painting and repairing department. Another cost objects include; work shed for construction of boats, hardware and supplies store, gasoline pump, wharf and float. Each of these cost objects should be clearly defined as a separate department. The cost must be identified, measured and assigned to each department for planning, controlling and decision making.

The direct cost can be identified through direct tracing that recognizes costs that are exclusively and actually associated with each department. To assign costs that have a cause and effect relationship with each department, the driver tracing method should be used, and this method is less expensive than assignment or allocation and the result is usually more accurate. At the same time indirect cost must be assigned through allocation. These costs must be measured with high degree of accuracy so that the profit can be calculated correctly.

This cost information is needed for setting up objectives such as quality of painting and repair work; in order to reduce inspection costs, customer complaints, and waste material. Another objective would be evaluation suppliers and signing a contract with the suppliers for long term supply of defect free hardware tools and supplies at a fixed rate. An additional objective is that, maintenance costs must be identified as well as budgeted,

and a maintenance schedule should be made to reduce labor costs. This is accomplished by having performance reports that compare the actual data with budgeted, planned data.

A schedule must be maintained for employees working in painting, repair department and hardware store to avoid overtime premium. In order to achieve all the objectives, the best strategies need to be chosen and implementation of all objectives must be monitored so that corrective action can be taken. Conclusions 1. I would extremely recommend Bates to analyze her economically and business position at this moment. She needs to understand that she is involved in so many different businesses at this moment, and she is really the only one who is somehow on control and management of the all businesses.

She should either take some intensives classes in how to use managerial accounting correctly or hire someone with accounting background that would advise her and collect the necessary data in order to used it properly, and to make the right decisions. Also since she just started her business she should study the industry that she is getting involved in first, before she make any further decisions in investing more money or expanding her business. At the same time she should try to focus in one business at the time to make sure everything gets handle the way it should be, as she could start earning some profit as soon as possible.

Lastly she needs to understand that since she borrow some money she would need to start adjusting her finances, and increase profit in order to comply with all of her obligations that would be coming up. 2. a. the business operated by Bates Boatyard are described on analysis 2a along the analysis <https://assignbuster.com/bates-boatyard/>

we could observed how many different business she is operating, and once again recommender her to focus one by one at the time, to ensure everything is running well on her business.