

Commercial fishermen's Recordkeeping & Business Management Manual

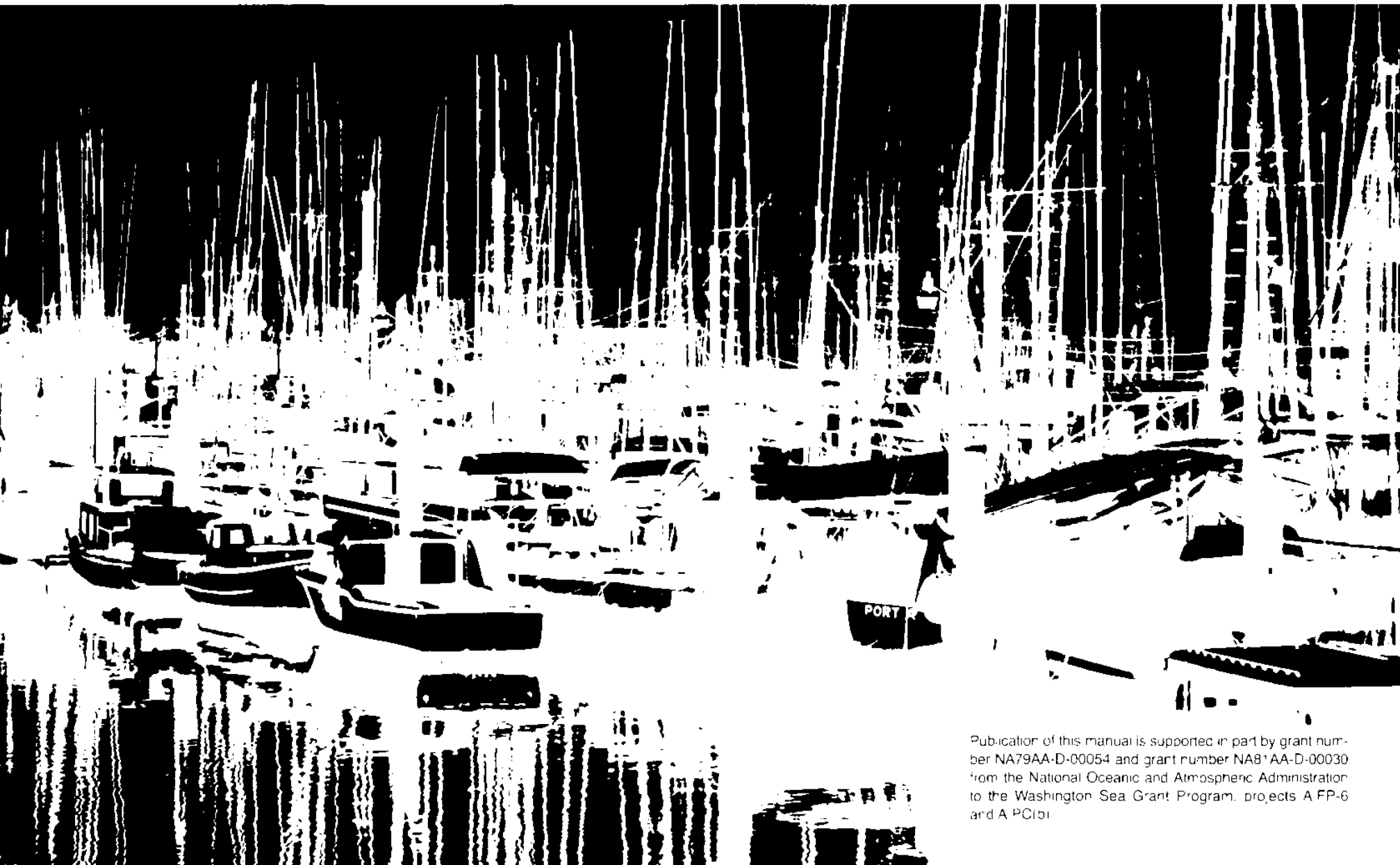
Pete Granger

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ADVISORY REPORT





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Commercial Fishermen's Recordkeeping & Business Management Manual

Pete Granger

Washington Sea Grant Program • University of Washington • Seattle, WA 98105

Skipper _____

Vessel _____

Fiscal Year _____ to _____

Social Security No. _____ Employer Identification No. _____



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About this Manual

This publication is an extension of a 12-hour business management course for commercial fishermen that I taught at Bellingham Vocational Technical Institute from 1976 to 1981. It offers varying levels of recordkeeping for you the fisherman-businessman or woman to do yourself or to have your accountant do for you.

The first section covers the minimum system all fishing businesses should have—a business checking account and an “organized” place to file receipts. The second section goes one step further to simple bookkeeping that will provide tools and information to enable you to evaluate your business using the third section. Each form can be used alone or in combination with other forms. You can use any or all, but you should be consistent with the system you adopt.

Throughout this publication, examples are given of a combination dragger-salmon purse seiner fishing out of Bellingham, Washington, to illustrate how the forms can be adapted. The month is June, end of drag season and beginning of salmon purse seine season. The June figures carry throughout to show how to move from one form to the next.

I wish to acknowledge the use of materials and ideas generated over the past several years by Dr. Fred Smith, marine extension economist with Oregon State University Sea Grant. Dr. James Bray, marine economist with the Washington Sea Grant marine advisory program, also provided some excellent commentary on the drafts of this manual.

Three publications on fishermen’s accounting from the Hawaii, Maine, and Maryland Sea Grant Programs provided helpful ideas.

Finally, critiques from selected marine advisory agents in Oregon, Washington, and Alaska are very much appreciated—especially those of Craig Wiese of Cordova.

Pete Granger
April 1982

Recordkeeping & Checking

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Recordkeeping Requirements

If you have a fishing business, you must keep records to correctly figure your taxes.

Why

- Federal law requires that you keep records that will clearly show your income and substantiate your deductions and credits.
- The law does not require you to keep your records in any particular way. You may choose any system that is suited to your type of operation.

How to use

- Your tax records must be permanent, accurate, complete and must clearly establish your income, deductions, credits, and crew information.
- Work sheets, logs, diaries, paid bills, cancelled checks, etc., that verify entries in your books should be filed in an orderly manner and kept in a safe place.
- Adequate and complete records should be supported by sales slips, invoices, receipts, cancelled checks, and other documents.

Business Checking Account

The absolute minimum recordkeeping necessary for a fishing business is a business checking account. Do this, if you don't do anything else!

Why

- Keeps all fishing business transactions separate from other business and/or personal transactions.
- Bank does simple recordkeeping for you.
- Cancelled checks can be used to help substantiate tax deductions, although actual receipts are much better evidence. Both are important in a tax audit.

How to use

- Print boat name or business name on checks.
- You should use a checkbook that allows enough space to enter sufficient information to determine later what money represents income and not personal funds or loans deposited.
- Deposit all fishing income into this bank account first! Then, if you need cash, write yourself a check and cash it. But do not write checks payable to yourself unless they are drawn for personal reasons. If you must write a check payable to cash or to yourself in order to pay a business expense by cash, include the receipt for the cash payment in your records.
- Pay *all* fishing business expenses with this account.

Trip Log

Why

- Provides a preliminary record of your catch.
- Useful later for planning where you will fish next trip—whether next week or next year.
- Information would be useful to someone else who might lease your boat or gear.
- Useful for documenting an insurance claim should you suffer gear or vessel damage or loss.

- If you are a trawler, for example, it is useful for comparing different net designs and how they work under similar conditions.

How to use

- See example.

Fish Catch Record

Why

- Direct permanent record of gross revenue.
- Use average fish weight to determine if buyer is weighing fish correctly. For example, if you fish on Puget Sound and four years ago you caught Adams River sockeye at 6.7 pounds per fish and this year they're weighing 6.2 pounds per fish, something may be wrong with the weighing method.
- Past catch records help you decide where and when to fish this season on what species.
- It is a record that bank loan officers will want to examine to determine whether you have the income-generating capability to pay off a bank loan.

- Makes tax preparation and crew settlement easier.
- A means of checking buyer or cannery pay-off.

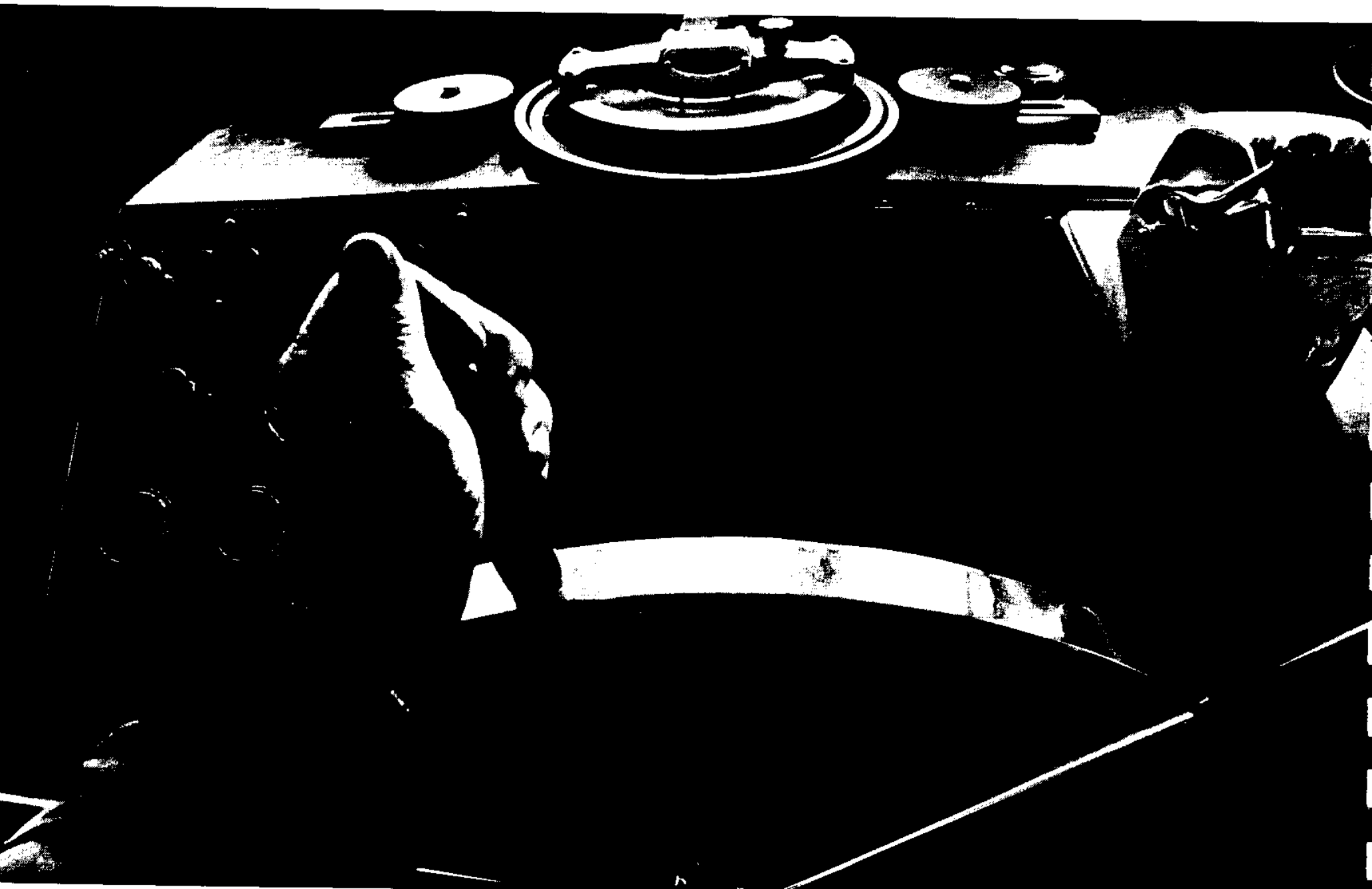
How to use

- Most headings are self-explanatory. Bonuses or adjustments can be accounted for on a blank column.

Fish Catch Record

Date	Sold to	Ticket Number	Dollar Value				<i>Kings</i>				<i>Sockeye</i>				
			Cash Received	Acc't Receivable	Adjustments	Total	Number	Pounds	Price Per Lb.	Average Weight	Number	Pounds	Price Per Lb.	Average Weight	
6/1	Acme Seafoods	01234	80-			80-									
✓	✓	✓	216-			216-									
✓	✓	✓	30-			30-									
6/27	Acme Seafoods	5234		1876		1876-	67	1072	1.75	17					
✓	✓	✓		217		217-					29	174	1.25	6.0	
6/28	✓	5262		1279		1279-	43	731	1.75						
✓	✓	✓		2850		2850-					380	2280	1.25		
	<i>June totals</i>					6548-	110	1803			409	2454			

EXAMPLE



Bookkeeping

Crew Settlement Record	33
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Crew Settlement Record

Why

- Makes it easier to account for crewmembers' draws and shares of groceries and fuel.
- Gives skipper a permanent employment record of all crewmembers and serves as a basis for individual crewmember records (IRS Form 1099-F).

How to use

- Calculate crewmembers' gross share as pre-set percentage of boat's gross revenue. In the example, for salmon, the gross share for each crewmember is 8 percent of catch before expenses. Since this crew consists of a skipper and five crewmembers, expenses are divided six ways. The crewmember receives his gross share less his share of expenses.

- This form is for the skipper's permanent records, so more than one individual's settlement can appear on it.
- The individual crewmember should also receive a breakdown of his settlement for his record files. A form for that purpose is not provided here, but it is very simple to do based on this settlement spread sheet.



Revenue & Operating Expense Ledger

Why

- Shows quickly where your income comes from.
- Shows how you spent that income.
- Records gross income per fishery and records expenses for tax and crew settlement purposes.
- Simplifies tax returns for you and your accountant.
- Assists bank officer in evaluating your business when applying for a loan.
- Forms a historic record of income and spending which aids in making budgets.
- Is much more timely and accurate than a checking account for illustrating where your costs of operation really are.

How to use

- This is basic single-entry bookkeeping. Make entries once a day, once a week, once a month—whatever is convenient and useful to you—but do this regularly. Enter every expense chronologically in the cash withdrawal column and then enter again in the expense column which

best describes that type of expense. Likewise, enter income receipts from fishing or business-related sources twice—once in the cash deposit column and again under the appropriate receipt column.

- The cash withdrawal column total should equal the total of all the expense columns plus personal withdrawals, just as the cash deposit column should equal the total of all the receipt columns. This bit of arithmetic will ensure you have made all entries in the appropriate column.

- Set up a filing system for receipts, with a separate file for each column heading. If you prefer, you might ask your accountant to do this for you.

- A word about combining personal expense items (non-business, family types of things) in this format. We advocate keeping these accounts separate; however, for a full-time fishing family, it may be more convenient to include personal items on the same ledger. If this works for you, do it. In most cases, however, it is advisable to keep business records separate from records of personal expenditures.

Revenue & Operating Expense Ledger

Revenue				Cash Deposits and Withdrawals						
Miscellaneous				Cash Deposits	Cash Balance	Date	Description	Check Number	Cash Withdrawals	Personal Draw
			<i>Bottomfish</i>		1,050	←	Balance from previous page			
			<i>Salmon mixed</i>			6/1	<i>Acme Ice Co.</i>		40-	
				326-	326-	6/1	<i>Acme Seafoods</i>			
						6/7	<i>Shipyard-haul out</i>	801	250-	
						6/8	<i>Fisheries Supply Misc.</i>	802	75-	
						6/9	<i>Ford Co Fuel-sup</i>	803	50-	
						6/10	<i>Bell Welding-Metacel</i>	804	200-	
						6/11	<i>Port of Bham</i>	805	45-	
100-				100-		6/12	<i>Joe Dean-seine cork</i>	—		
						6/25	<i>Upston food-grub</i>	806	75-	
						6/26	<i>... Co.</i>	807	400-	
			6,222	6,222		6/30	<i>Acme Seafoods *625</i>			
						6/30	<i>... Jimid</i>	808	419 26	
						6/30	<i>Personal Account</i>		500-	500-
100-			6,222	326-	6,648	5,643 ⁷⁴	←	Forward balance to next page	2,054 ²⁶	500-

EXAMPLE

Annual Summary of Operation

Why

- Gives a clear picture of your spending and revenue patterns throughout the year. Business decisions to change these patterns can then be made.
- Aids in preparing a budget.
- Summarizes total cash revenue and cash expenses for tax purposes.

How to use

- Tally the figures from the revenue and expense ledger for each month and transfer them to this form.

Managing & Planning

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Annual Cash Flow Budget

Why

- This budget is a planning tool that you can use
 - to predict when and from where your income will come
 - to help spread your income over the rest of the year to take care of capital purchases, personal needs, unexpected expenses
 - to help you decide whether to get into another fishery
- It is essential evidence for a bank loan officer to determine when payments can be expected from you.

How to use

- Take figures from the annual summary of operation and expense ledgers for the last few years, average them, and enter them into the categories listed. This will give you the average revenue and costs you can expect from past experience and also when they occurred during the year. Now you can start projecting or budgeting for things you want to do or must do:
 - When can I purchase a new engine or build a new boat?
 - Should I do some "moonlighting" to help with personal living expenses through the winter?
 - Am I holding too much cash at certain times of the year and, therefore, should I think about short-term investments such as certificates of deposit, stocks, money markets, etc.?
 - Is my equipment idle part of the year? Should I use it in another fishery or lease it out?

Financial Statement

Why

- Describes the financial situation of your fishing business at any given time.
- Provides useful evidence for securing a loan.
- Provides information (along with a budget) as to whether you can weather adverse short-term and long-term financial situations.
- Measures the equity or net worth of your business—your retirement fund if you will. Shows the amount of money you would have (before taxes) if you sold all assets and paid all debts.

How to use

- You can include personal assets and liabilities on this sheet or keep them separately. Fixed assets may be valued in various ways. Current assets and liabilities are those that are owed you or that you owe within a short length of time. Fixed assets and long-term liabilities are those assets and debts collectible or due over a longer time.

These are interpretive values that should be filled in before going to your banker or accountant.

Financial Statement

Name _____ Address _____

Assets of fishing business

Current Assets

Cash on hand	_____
Checking Account	_____
Receivables	_____
Fish Buyer(s)	_____
Insurance	_____
_____	_____
_____	_____

Total Current Assets _____

Fixed Assets

Vessel	_____
Equipment	_____
Gear	_____
Vehicles	_____
Gear Shed	_____
_____	_____
_____	_____
_____	_____

Total Fixed Assets _____

Total Assets _____

Liabilities of fishing business

Current Liabilities

Payables

Gear Supplier	_____
Fish Buyer(s)	_____
Boatyard	_____
_____	_____
_____	_____
_____	_____

Bank Note _____

Other Short-term Loan _____

Total Current Liabilities _____

Long-term Liabilities

Vessel Mortgage	_____
Bank Loan	_____
_____	_____
_____	_____

Total Long-term Liabilities _____

Total Liabilities _____

Net Worth or Equity

(Total assets minus
total liabilities)

Financial Statement

Name _____ Address _____

Assets of fishing business

Current Assets		
Cash on hand	_____	
Checking Account	_____	
Receivables		
Fish Buyer(s)	_____	
Insurance	_____	
_____	_____	
_____	_____	
Total Current Assets		_____
Fixed Assets		
Vessel	_____	
Equipment	_____	
Gear	_____	
Vehicles	_____	
Gear Shed	_____	
_____	_____	
_____	_____	
Total Fixed Assets		_____
Total Assets		_____

Liabilities of fishing business

Current Liabilities		
Payables		
Gear Supplier	_____	
Fish Buyer(s)	_____	
Boatyard	_____	
_____	_____	
_____	_____	
Bank Note	_____	
Other Short-term Loan	_____	
Total Current Liabilities		_____
Long-term Liabilities		
Vessel Mortgage	_____	
Bank Loan	_____	
_____	_____	
_____	_____	
Total Long-term Liabilities		_____
Total Liabilities		_____
Net Worth or Equity		
(Total assets minus		
total liabilities		

Other Useful Publications

- Ball, John L., *The Basics of Depreciation*, Oregon State University Sea Grant SG-35, Corvallis, OR, 1976.
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About the Author

Pete Granger is no stranger to the business aspects of commercial fishing. A member of a long-time family reefnetting operation on Lummi Island, Granger attended the University of Washington where he received his B.S. in oceanography in 1970 and an M.B.A. in 1972. Subsequently he joined the New England Fish Company as cannery office manager in Uganik and Chatham, Alaska. In 1974, he was promoted to assistant plant manager of NEFCO's Cordova plant and in 1975 to resource manager in the Seattle office. From 1975 to 1980, he was marine field agent in the North Sound (Bellingham) office of the Washington Sea Grant advisory program. During 1981, Granger headed the marine advisory program of the South Carolina Sea Grant Consortium in Charleston. Currently, he is executive director of the West Coast Fisheries Development Foundation based in Portland.

While serving with the Washington Sea Grant program, Granger developed and taught a business management course for commercial fishermen in the Bellingham area. This manual is the result of that course. Granger is also the author of two other Washington Sea Grant publications—*The Commercial Fishing Industry of Whatcom County: Some Economic Aspects 1977* and *Marine Short Courses: A Notebook* (with R. E. Suggs).



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