



# NAIC Club Accounting Made Easy. . . (almost)

'One More Thing . . . Be Sure to Send Some Flowers to Your Treasurer'

*Note: This document is adapted from a document submitted by Bob Adams. The document also contains some comments and some basic concepts submitted by Herb Barnett. Special thanks to Bob for making this available to Bits, and special thanks to Herb Barnett for his comments and contributions to the article. Bob Adams is a director of the Puget Sound Council. Herb Barnett is the Chairman of the NAIC Computer Group.*

There are many club accounting activities, and many commands to remember when using the NAIC Club Accounting Software. Remembering these commands, and the steps to get to the proper data entry screen can be frustrating. This article is meant to help one remember the route to the correct command quickly. After some basic concepts to remember, there is a list of steps to be taken in preparing a normal monthly report for your club and then checking for errors. This is followed by another list, abbreviated and alphabetized, of other normal activities, and the commands to get to the appropriate areas within the program. To keep the lists easy to use, commands not *routinely* used are not included. Following the end of the article is another article entitled **More --Accounting Made Easy (Almost)** which deals with withdrawal of a member using transfer of stock.

The numbered steps are meant to be a guide, or reminder, of the steps necessary for most monthly reports. These steps should be considered as minimal in getting the job done. Each step [within brackets] indicates the series of program commands to be selected to allow entering the appropriate information. *Be very careful to enter the correct date with each transaction. Be very careful!* Get the point? And, before printing any report, audit! After printing, backup the data!

## Some NAIC Club Accounting concepts to remember

- The Club Accounting program is designed to be used in a very specific way, and does not respond well to "creative re-engineering" -- if you decide to do a particular task, or record a transaction, differently from the way the program was designed to handle it, expect to get have a problem somewhere along the line (maybe at tax time).
- If any transaction can be identified with a specific club member, it should be entered as a Member Transaction. If it can be identified with a specific security, it should be entered as a Security Transaction. Use Cash transactions ONLY when neither of the first two conditions apply.
- Be sure you understand what should and should not be entered as a Petty Cash transaction. If the expense or income item is related to the legitimate investment activities of the club, it should probably not be recorded as a Petty Cash transaction. Check the manual. Most clubs find that they don't even need a Petty Cash account.
- When you are entering a transaction and have to select the Account, be sure you identify the actual source of, or destination for, the funds involved. *For example*, if you are buying stock, don't select the Broker Account just because you bought the stock from a broker who will be holding the shares, if you are actually writing a check from the Bank Account for the exact amount of the purchase. The correct selection in this case is the Bank Account.  
*You might be surprised at how many club treasurers have needed to be coached through the process of correcting their books after they discovered they had something like a -\$15,000 broker balance, and they didn't know why! BE CAREFUL!*
- If you are a new club, or are just converting to NAIC Club Accounting and not entering at least two or three years of your old records, it will make life easier for the treasurer to go to [Utilities, Parameters] and temporarily remove the check mark from the box marked "Show Returns". The last two columns on the Valuation Statement and Member Status Report will be omitted, and save a lot of unnecessary explanations. Total Return calculations on data covering a relatively short period of time tend to look distorted, and are almost guaranteed to generate repeated questions. When the numbers begin to stabilize after a year or two, replace the check mark permanently and include the last two columns in the reports.

## Entering the basic monthly data

The first step is gathering the reports and statements. Once the materials are collected, do the entire job at one sitting. As entries are made, check them off on each statement so there is a "trail" of the information already entered.

1. Collect the following reports or statements.
  - a. List of checks written since the last accounting statement.
  - b. List of Payments made by members at the last meeting.
  - c. List of any other banking activities since the last accounting statement.
  - d. Bank statement.
  - e. Broker statement
  - f. DRIP reports
  - g. Current portfolio stock prices
  - h. Buy/Sell confirmations
2. Enter Payments from members [Members, Enter New Transaction, Deposits - Multi]
3. Enter Cash transactions. [Cash, Enter New Transaction]
  - a. Select Bank (Enter Checks, Fees, Interest, etc.)
  - b. Select Broker (Enter Interest, etc.)
  - c. Select Petty Cash (Enter Petty Cash expense & income items.)
4. Enter Cash Dividends. [Securities, Enter New Transaction, Cash Distribution]  
Enter Reinvested Dividends. [Securities, Enter New Transaction, Reinvested Distribution]
5. Enter any Buy/Sell orders [Securities, Enter New Transaction] then [Buy] or [Sell]
6. Enter current stock prices. [Securities, Enter/Edit Valuations]
7. Audit. [Utilities, Audit]  
***Before printing any reports, ALWAYS run Audit!!!***

### If all the data is now entered, the following steps help find errors and omissions

8. Checking the Report -- Select: [Reports, Valuation Statement]
  - a. Compare the Cash on Hand-Bank with the current bank balance.  
Note: If you have Club Accounting set up to include a Petty Cash Account, and you keep the Petty Cash funds in the same bank account as your investment funds, add the Valuation Statement totals for "Cash on Hand-Bank" and "Petty Cash", then compare that total with the current bank balance. (If you keep your funds in an account with the broker instead of a bank, substitute "broker" for "bank" in the above description).
  - b. Compare Cash on Hand-Broker with the broker statement.
  - c. Compare the broker statement and DRIP statements to SHARES OWNED THIS DATE shown on the Valuation Statement.
  - d. Print the Valuation Statement.
  - e. Open the Members Status Report [Reports, Member Status Report] and compare the PAID IN SINCE column on the Members Status Report with the amount invested by each member at the previous meeting.
  - f. Print the Members Status Report
9. Backup the data. [Utilities, Backup]

Floppy disks are cheap. Back up using 13 disks and rotate them each month. Why 13? Backup after the December statements are finished, and, again after the Year-End statement has been run. You never know when a disaster is going to strike and how far back you will need to go. It's also a good idea to install the program on another club member's computer and parallel your books. . . and have that person maintain backups. If you each enter the data separately, then compare the results via a phone call, errors can be caught immediately. It's not likely you'll both enter the same error, and the club has two members comfortable with the job. It's simply good business practice.

### More club accounting activities and the commands to perform them.

- Audit [Utilities, Audit]
- Backup [Utilities, Backup]
- Buy a stock [Securities, Enter New Transaction, Buy]
- Cash Transaction [Cash, Enter New Transaction]
- Cash Transfer [Cash, Transfer Transaction]

Distribution - Year end See Year end Distribution  
 Dividend - Cash [Securities, Enter New Transaction, Cash Distribution]  
 Dividend - Reinvested (DRIP) [Securities, Enter New Transaction, Reinvested Distribution]  
 Member - make Inactive [Members, Edit/Delete Member] and click on "Active" box to remove check mark.  
 Members - Add New Member [Members, Enter New Member]  
 Members - Change Member Info. [Members, Edit/Delete Member]  
 Members Status Report [Reports, Members Status Report]  
 Payments from Members [Members, Enter new Transaction, Deposits-Multi]  
 Price Update See Securities - Price Update  
 Securities - Change [Securities, Edit/Delete Security]  
 Securities - New [Securities, Enter New Security]  
 Securities - Price Update [Securities, Add/Edit Valuations]  
 Sell a stock [Securities, Enter New Transaction, Sell]  
 Stock Split - Different Company [Securities, Enter New Transaction, Stock Split/Div. In Diff. Co.]  
 Stock Split - Same Company [Securities, Enter New Transaction, Stock Split/Div. In Same Co.]  
 Transfer of Cash See Cash Transfer  
 Valuation Statement [Reports, Valuation Statement]  
 Withdrawal of Member [Members, Enter New Transaction, Withdrawal] Also see Member - Inactive  
 Year end - Distribution [Utilities, Distribute]  
 Year end - Distribution Report [Reports, Distribution of Earnings Statement] print  
 Year end - Income/Expense [Reports, Income/Expense and Balance Sheet] print  
 Year end - Balance Sheet [Reports, Balance Sheet] print

## More -- Accounting Made Easy (almost)

### Member withdrawal involving the transfer of stocks

#### The concept

The greatest advantage to the club occurs when there's a large capital gain in one or more of the stocks in the club portfolio. According to the [NAIC Guide](#), both the club and the partner win when stock is transferred under these conditions. Note: Don't transfer a stock to a withdrawing partner when there's a loss--as the club won't be able to take advantage of the tax write-off.

In order for this to work, the withdrawing partner should have a brokerage account to which to transfer the stock, although a stock certificate could be issued to the withdrawing partner. There may be a transfer fee from the broker so be aware of it before completing step 5 below (and if there is a fee, the withdrawing member is normally charged for it--check your [Club Agreements](#) for guidance). Since the club didn't sell the stock there is no capital gains tax to the club--and the stock is transferred at today's price, paying off the member with today's appreciated price.

Normally, one should transfer stock that has grown greatly in price (big capital gains) and especially if the run-up in price has put your portfolio diversification out of balance.

From the withdrawing partner's standpoint, receiving stock isn't a bad deal either, as the cost basis to the partner is equal to the invested interest of the partner. In other words, when the partner sells the stock, the cost basis isn't what the club paid for the stock, but rather what the member's interest in the club was. If the person desires cash, once the transfer is completed, he/she orders the stock sold. Of course that triggers a broker fee and capital gains, but to the withdrawing partner, not to the club. And, the partner pays capital gains on a stepped-up basis, so the advantage goes both ways. Page 217 in the *Guide* goes over this (poorly), but does give assurance you aren't trying to rip the person off.

Please remember that the tax treatment of stock issued in a partial withdrawal is different from stock issued in a full withdrawal. In the case of a partial withdrawal the tax treatment may not be advantageous to either the club or to the withdrawing partner. One way to check out the possible effects is to (AFTER making a backup of the datafiles!)

enter an all-cash withdrawal and print the Withdrawal Report. Go to the withdrawing member's record, highlight any one line of the withdrawal record and delete it. The entire withdrawal transaction will be deleted. Enter a new withdrawal as if stock was to be transferred, and print a new Withdrawal Report. Compare the two reports and decide which is more advantageous. After deciding which type of withdrawal is to be used, restore the datafile from the backups, if necessary, and process the withdrawal.

### Steps required

Write a letter to your broker, or check to see if they have a stock transfer form. Date it the same day as the withdrawal action, explaining which company and how many shares to transfer. A stock Price Evaluation must be done on that same date, so most of the time the transfer would be made on the normal Evaluation date for the next meeting. (Just saves work--and confusion.) Get all the broker paperwork ready, then do the evaluation and transfer by using the following Club Accounting steps. These steps can be used for either a full or partial withdrawal.

1. Click on "Members", "Enter New Transaction", "Withdrawal".
2. Select the withdrawing person's name.
3. Enter the date of withdrawal--same as the date selected above.
4. Press Tab and "Value to be Withdrawn" will be automatically filled in.
5. Press Tab and enter withdrawal fee amount. (Check your Partnership Agreement) and press Tab. If the withdrawal fee is expressed as a percentage instead of a fixed amount, hit TAB again and enter the percentage. The dollar amount will be calculated and entered automatically.
6. Click on "Stock", then select account cash balance is to be paid from.
7. Click OK, then SAVE.
8. Locate the company you wish to transfer shares from by scrolling the window.  
Select the shares to be transferred (Holding left mouse button down while dragging the cursor across the zeros in the right-hand column). The zeros will be highlighted.
9. Type in the number of shares to be transferred.
10. Press Tab (The Value Selected and Value Remaining will be updated).
11. Select another company to be transferred if needed, or desired, and repeat steps 8, 9 & 10.  
(Repeat until enough shares are selected so that "Value Remaining" is near zero or is equal to whatever cash balance you wish to pay to the partner.)
12. Unless all of the club's shares of a stock are being transferred, the next job is to select the specific shares to be transferred. Click on OK and select the block(s) of shares to be transferred (Same action as in Step 8).
13. When finished, click OK.
14. If this is a full withdrawal, Click "Members", then "Edit/Delete Member", and select the member withdrawing.  
Click on the small box marked "Active" to remove the check mark, thus making the member inactive. Do NOT delete the member. Click on "Reports", then "Withdrawal Earnings Report", select the withdrawing partner, print the report and give a copy to the partner.

Whew! . . . One consolation, you could be doing this without the aid of the computer program.

Now, that's scary.

One thing more, send some flowers to your treasurer.

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