

INCREASING POINT OF SALE EFFICIENCY: HARDWARE, SOFTWARE AND BOOKKEEPING TIPS





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I like to claim that, just like there are health benefits to outdoor farm work, there are also brain health benefits to farm office work. It also provides good balance to the usually strenuous physical demands of farm chores. However, keeping accounting records as a farmer is typically nothing short of a headache, even for those that usually do great with numbers. Figuring out the accounting side of a farm is especially complicated if you are just getting started. Or if you sell direct-to-customer. Or if you're planning to retire... In most cases it is straight out complicated.

On the field and at the office, we are always looking for ways to save time and effort so we can spend more time with family, pursuing hobbies, recharging, or growing our business. Recordkeeping challenges can be diverse, but none of them are insurmountable with the right help. In this article I will attempt to provide clarity on best practices when recording income in your accounting system, specifically for farmers who sell directly to consumers. I will focus on Points of Sale (POS) systems, and how to set up a farm bookkeeping system that can account for sales collected in several different ways.

But what is a POS? A point of sale system is the hardware and/or software that enables your business to process sales. POS systems can be tailored to in-person or online transactions, or both. Examples of in-person POS tools are credit/debit card reading devices, cash drawers, boxes or registers, receipt printers, scales, and barcode scanners. Examples of indirect POS tools can be mailed checks, ACH/wire transfers, CashApp, Venmo, Paypal, Square, Stripe, Zelle, Clover, Shopify, etc.

A good farm POS system will issue receipts and track inventory as it processes sales. As a farmer, tracking inventory—especially if you sell more than one item type—is the one POS feature that will give you clarity on your farm's financial health. Tracking quantities allows you to calculate how much you're

making per item sold, or how many units should be sold to cover production costs. It can help to establish a sale price above breakeven, and to understand your overall cost of production for a specific item type. However, not all POS systems will track inventory, and those that do may have issues when prices vary, for example, due to size or weight differences in items sold.

Another important feature that most farmers will need is for the POS system to be mobile, but work without internet access. A POS system should be intuitive and quick to use, especially if you have employees to train. Canceling transactions or managing product returns should be easy as well. It is important for your POS system to be able to account for products raised by you and resale items, if you sell both. Same if you sell through different retail channels.

Additionally, POS systems often offer services such as customer relations management systems and even employee management systems, and they can integrate or directly provide website hosting services for online sales. Importantly, some POS systems will integrate with QuickBooks Online (QBO). To the best of my knowledge, however, that is the only accounting system that claims broad POS compatibility with real-time sync. And it is not free of issues or errors, nor is it affordable.

It tends to work better, in my experience, to transfer POS information

to your accounting system manually. Some software applications will have a spreadsheet import feature (including QBO). Sometimes it will require some copy/pasting. If you are already using a spreadsheet to keep accounting records, you may be in the best of all worlds in terms of ability to integrate POS information. However you do it, integrating your POS data into your accounting records will lead to more accurate books and better reports that will actually help you make decisions. We will come back to this later.

Offering POS options to your customers will usually come with a cost, or a combination of costs. Some POS providers charge for the use of either locally-installed or cloud software services. Then there are transaction fees, usually a percentage of the transaction amount plus a fixed amount, like 2% + \$0.10 per card swipe. Finally, you may need to purchase hardware such as tablets, credit card readers or terminals, cash boxes or drawers, receipt printers, barcode scanners, etc.

While operating on a cash-only basis can save on some of these costs, it limits sales to the cash available in customers' pockets. Some recommendations for handling cash transactions are to have a large supply of change available, to have a counterfeit marker handy, to price products in whole dollars, to include sales tax in the posted price, and to keep the money paid by the customer out of

the cashbox until finishing the transaction to avoid disagreement over the amount handed to you. The general recommendation is to offer at least one electronic option as an alternative to cash.

The most popular POS system among farmers is Square. Some of Square's best features include transparent pricing, lack of long-term contracts, great reports and integrations and a free POS option. It also provides a free online store and inexpensive hardware options. This system is an excellent option for small farms that are looking for an easy and affordable POS. It tracks inventory and offers an offline mode to accept transactions without an internet connection. Farmers with farm stands or other self-serve marketing options can benefit from Square's QR code ordering feature.

Shopify is a POS system that is more geared towards e-commerce businesses,

although it offers in-person payment processing options as well. It shines at handling customer profiles and history, and it tracks inventory as well. However, it does not offer free plan options and it cannot process cards in offline mode, making it a less than desirable option for farmers who sell in person.

On the other hand, the Clover POS system is a good option for businesses that do most of their payment processing in person. Its hardware is expensive, but monthly costs and processing fees are low, which helps offset the upfront investment over time. They have a free plan available if you're only using a mobile card reader and their customer service is highly rated, but the website and pricing structure can be confusing. They also do not offer any free hardware or software options, and integration with accounting softwares can be clumsy.

PayPal Zettle's POS software is a mobile POS and payment processing system that is quick and easy to set up. Its POS software is free, but hardware and payment processing are not.

Zettle's POS software can be downloaded for free to a mobile device. With a PayPal Business account, you can immediately start taking payments from your own card reader, keyed-in cards, digital wallets and QR codes. It tracks inventory and integrates with QBO, making it an attractive option for small farmers.

Lightspeed Retail is a cloud-based POS system that has strong inventory management capabilities and integrates well with accounting and marketing systems, but it is complicated and expensive.

QBO also offers a POS option. Costs can add up though, since this product has to be purchased separately from the accounting subscription, which is

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already costly. It also does not offer an e-commerce option, it does not allow for QR code payments, and it does not have receipt printing functionality. Some of the pros, on the other hand, are integration with the popular accounting software, and better payment processing rates for high-volume sellers.

So let's talk briefly about the bookkeeping aspect of POS systems. POS systems typically route funds to your bank account after either each sale, day or week. What, or how much information should you be transferring from the POS system into your accounting system? Recording a sales receipt for every item sold may seem like the right thing to do, but it takes too long. A simple entry called "daily sales" may be all you need to enter, whatever accounting system you use. Eventually, you may want to enter each individual sale, and it is not too complicated to do it, especially if you

keep records using Excel. But for today, we will focus on the "daily sales" method, where all the sales from the day are recorded together.

First, you will need a few key accounts in your chart of accounts. You may have some of these already:

- Daily sales, an asset account. This account will always have a \$0 balance. We will be using this account as a "clearing" account
- Cash on hand, an asset account
- POS clearing account, an asset account
- Undeposited checks, an asset account
- The bank account, an asset account
- Sales tax payable, a liability account
- Sales, an income account (you can note quantities here and further break it down into retail channels, products, etc)

Then, you will get your daily sales totals from the POS system. They all typically show the sales, sales tax, and amounts collected for each day. Create an entry in your recordkeeping system, and "deposit" or offset all the information from the POS system with the Daily sales account, our clearing account for the daily sales entry. This will include Cash on hand received (-), Checks received (-), the POS clearing account (-), Sales tax payable (+), and Sales income (+). All of these entries should cancel each other out. In other words, their total amount should be zero.

Once you've made this entry, you need to show your recordkeeping system how the income flows in. For example, so far we have assumed that cash is collected from customers but not immediately deposited in the bank. A separate entry will have to be made when that happens. Same when checks get deposited. Finally, when your POS



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transfers into your bank, you will need to create an offsetting entry that transfers the funds from the POS clearing account to your bank account. The POS fee expense will be entered separately afterward as well.

Selling agricultural products directly to consumers is as social as much as an economic activity. This can be a challenge when time is needed to produce, sell, interact with clients and

handle the finances. Disorganization and confusion at the point of sale can cost money as well as customers. In order to maximize efficiency, you may want to consider assigning a designated person to operate the POS system, handle money and make transactions, and/or to handle the bookkeeping at the back end. You may also consider designating separate physical spaces for customers to browse products, select

products, and pay for products, and/or providing opportunities for customers to order or pay in advance. Through time and experience, a farm business can develop an efficient and organized sales process that will maximize the number of transactions while cultivating and maintaining positive customer relationships.▲

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