

WHAT IS THE 4-5-4 RETAIL ACCOUNTING CALENDAR & WHY SHOULD I USE IT?

by Linda Carter

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The 4-5-4 Retail Accounting Calendar was devised with the peculiar needs of the apparel and sporting goods retailer in mind. Our business cycles are those periods of time between the start and end of a selling season. In general, these business cycles end in July and January. Therefore, the 4-5-4 Accounting Calendar begins with the month of February, which is traditionally the beginning of the Spring selling season.

The 4-5-4 Retail Accounting Calendar divides the year into quarters with the first and last month of each quarter consisting of 4 weeks each and the middle month of each quarter consisting of 5 weeks. Each accounting calendar month will begin on a Sunday and end on a Saturday. Each accounting calendar month will have the same number of selling days as the same month last year. For example, March has 5 perfect weeks every year, 5 Saturdays, 5 Mondays, etc.

Benefits of using 4-5-4 Calendar:

Each month will consist of either 4 or 5 perfect weeks making it very easy to analyze payroll costs.

Each accounting period for one business year corresponds to the same period last year, and the next year. This provides an invaluable review and forecast tool for management. Because of this, it is especially suited for use in preparing sales forecasts and operating budgets.

Since each month ends on a Saturday you will enjoy the convenience of taking physical inventory counts at week end and not having to either subtract or add sales which preceded or followed the physical count to arrive at a clean cut-off. The inventory counts should therefore be more accurate.

How to Change to the 4-5-4 Calendar:

Changing to the 4-5-4 Accounting Calendar will make very few differences in the store's procedures. About the only difference is to realize that for the first year, sales comparisons can be made only at the end of each 13-week quarter. The 4-5-4 Accounting Calendar is also recognized by the IRS for income tax reporting purposes. It is referred to by the IRS as the 52-53 Week Year. To adopt the 52-53 Week Year it is necessary to file a statement with the tax return for the first tax year for which the election is made. Your local accountant can easily take care of this for you.

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