

nurseries. The ratio of current liabilities to long term liabilities was .29 for all nurseries, .34 for largest, and .07 for the smallest firms.

Total liabilities. The sum of current and long-term liabilities gives average total liabilities of \$351,478 for all nurseries, \$793,885 for the largest, and \$79,501 for the smallest firms. The ratio of total assets to total liabilities were, 4.4, 4.8, and 3.3, respectively, which represents a sound financial position in all cases.

Net Worth

Net worth is the difference between total assets and total liabilities. This is the actual value of the owner's share of the assets, as opposed to the lenders' claims. The average net worth for all nurseries averaged was \$1,181,925, for the largest it was \$2,975,778, and for the smallest \$186,369.

Total Profitability Model

The Total Profitability Model combines information from the operating statement and statement of financial position in a graphic presentation to illustrate how assets, liabilities, and profit margin work together to yield the firm's return on net worth. Figure 20 shows the three sections of the profitability model: margin management, asset management and leverage management. Data for the largest nurseries, all nurseries, and smallest nurseries are given in the top, middle, and bottom of each cell in the model. Data for the all-nursery average (top box) will be discussed to illustrate the operation of the model.

Margin Management

From total gain (\$1,447,865) is subtracted total deductions (\$1,326,153) and the operator's salary (\$68,419) to give return to capital (\$53,293). This is divided by total gain to yield an average net profit margin of 3.7 percent.

Asset Management

Current assets (\$1,041,703) plus long term assets (\$491,701) make total assets of \$1,533,404. This is divided into total gain (\$1,447,865) to give an asset turnover rate of .94. Asset turnover multiplied by net profit margin (3.7 percent) results in an average

return to capital of 3.5 percent.

Leverage Management

Current liabilities (\$79,530) plus long term liabilities (\$271,949) gives average total liabilities of \$351,478. This is subtracted from total assets to yield average net worth of \$1,181,925. Total liabilities plus net worth (\$1,533,404) divided by net worth gives a leverage factor of 1.30. This is really the ratio of total assets owned by the firm to net worth. Leverage times rate of return to capital (3.5 percent) gives a return on net worth of 4.5 percent.

CONCLUDING COMMENTS

Nursery operators who are interested in seeing how they compare with those participating in the Florida Nursery Business Analysis Program may calculate their own numbers by following instructions given in the Appendix under "Making Your Own Calculations." This analysis should improve management decisions affecting the profitability of the nursery operation.

Nursery operators who find this kind of information useful, but have difficulty finding the time to do their own calculations may wish to consider becoming a participant in the Florida Nursery Business Analysis Program. We need more participants in the program to provide sounder and statistically more reliable averages. If you would like to become a participant, contact your ornamental agent in your county Extension office, or contact the authors in Gainesville. Nursery operators who authorize a commercial accounting firm to supply the data required for the program can participate with a minimum of effort on their part.

