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Funeral Directors

by

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FUNERAL DIRECTORS

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INTRODUCTION AND SUMMARY

"The Funeral industry is unique. Because of their lack of knowledge and their distress, funeral arrangers are vulnerable, and need a measure of protection. This is not an industry where market forces alone can be relied upon to ensure the consumers needs and wishes are fully and efficiently satisfied". Office of Fair Trading Report on Funerals, 1989.

According to the Yellow Pages there are 3,800 outlets classified as Funeral Directors, but these probably constitute no more than 2500 firms.

Even though the number of deaths is expected to fall, at least until the year 2000, the market is relatively buoyant because of the greater expenditure on funerals, often funded by "easy instalment" plans prior to death.

Although no comprehensive statistics are available, many long established small family owned businesses have been acquired by one of the three major groups which have recently become quoted on the Unlisted Securities Market. These groups together control about 14% of the market.

Nevertheless the leading player in this market continues to be the Co op which is generally thought to have a market share of about 22%. It's strength is mainly in the North and in Scotland where its share is 29%. In the South East it's market share is only 13%.

The costs of the Funeral Director are dominated by fixed elements, notably property and vehicles.

Our analysis shows that small Funeral Directors are significantly less profitable than the larger firms, presumably because of their lower rates of utilisation of their fixed capital.

In comparing the accounts of Funeral Directors particular attention needs to be given to the procedures for dealing with Fixed Assets - notably property, goodwill, and the definitions of sales turnover.

Funeral Directors have not been the focus of any specific business initiatives by government. The provision of Funerals is, however, zero rated for purposes of VAT.
TRADE DESCRIPTION

The Role of the Funeral Director:

Although it is the case that any individual obtaining the necessary certificates and documents can perform the role of a Funeral Director, normally this activity is passed over to a professional.

The Funeral Director has five roles:

i) Tactical Adviser

To reassure the family that all the elements associated with the Funeral will be handled by the Director, and that they can confidently leave matters in professional hands.

ii) Undertaking of burial/cremation

This involves arranging with the chapel/crematorium and arranging for services and disposal of the body.

iii) Custodian of the body

The Funeral Director undertakes the safe keeping of the body from the time of removal from the place of death to burial or cremation.

iv) Agent

Taking responsibility for making the arrangements with florists, press notices, ordering an appropriate coffin and making appointments with the church or crematorium.

v) Master of Ceremonies

Organising distressed relatives and friends upon the occasion of a funeral requires efficiency, tact and decorum. In the role of Master of Ceremonies, the Funeral Director must organise and supervise the travelling arrangements to the cemetery/crematorium, ensure everyone is present and seated at the appropriate time and leaves the church or chapel so as to avoid clashing with the next funeral.

Conduct of a Funeral

After a death, the relatives instruct a Funeral Director who removes the body. Arrangements are then made as to burial or cremation. The relatives hold the death certificate and are responsible for registering the death.
On the day of the funeral, the body is transported by hearse with any appropriate floral tributes from the Funeral Directors premises to the home of the closest relative (or chief mourner).

The relatives and friends travelling in the funeral companies cars are seated, the procession follows the hearse to the cemetery or crematorium. The Funeral Director takes responsibility for ensuring every one is present and seated appropriately.

The service is generally conducted by a vicar known to the family or an official from the crematorium. If requested, the Funeral Director will arrange for a vicar known to him to conduct the service. The person conducting the service, or a suitable representative would usually make a visit to the family to gain some knowledge of the deceased in order to make appropriate remarks during the service.

In the case of burial, the body is taken to a prepared grave and buried, or in the case of cremation removed to an incinerator.

In the case of suspicious death, the body is removed to a mortuary or hospital (dependent on place of death) and remains in police custody until investigations are completed. When the cause of death is established and explained the burial/cremation proceeds as above.

In the case of no surviving relatives or friends willing to undertake responsibility for disposal of a body, the DHSS will provide funds for a basic funeral.

BASIC INDUSTRY STATISTICS AND TRENDS

Number of Firms

According to the Yellow Pages there are 3,800 businesses classified as Funeral Directors. The Office of Fair Trading Report on Funerals in 1989 however states that there are nearly 4,000 outlets, but only 2,500 firms. No government statistics are available on this trade alone but it is clear that almost all of these businesses are small, with a turnover of less than £1m.

Up until the last few years almost all the businesses were family owned, serving a local area, and trading on the basis of reputation and word of mouth. The Scottish Monopolies and Mergers Commission, for example, found that one fifth of all funeral directors operated within a single town, or five mile radius. For this reason the regional distribution of Funeral Directors would be expected to be related to the population in that area. A free standing town with a population of 100,000 people would therefore expect to have between five and eight Funeral Directors.
Market Size

As shown in the Table below, in the UK there were approximately 650,000 registered deaths in the year 1987/88, but this represents a 5% fall over the previous decade. It is anticipated that the total number of deaths in any one year is likely to continuously decline at least until the year 2000.

DEATHS REGISTERED ANNUALLY IN THE UNITED KINGDOM 1979-87

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>667,200</td>
</tr>
<tr>
<td>1979</td>
<td>675,600</td>
</tr>
<tr>
<td>1980</td>
<td>661,500</td>
</tr>
<tr>
<td>1981</td>
<td>658,000</td>
</tr>
<tr>
<td>1982</td>
<td>662,800</td>
</tr>
<tr>
<td>1983</td>
<td>659,100</td>
</tr>
<tr>
<td>1984</td>
<td>644,900</td>
</tr>
<tr>
<td>1985</td>
<td>670,600</td>
</tr>
<tr>
<td>1986</td>
<td>660,700 **</td>
</tr>
<tr>
<td>1987</td>
<td>644,300 **</td>
</tr>
</tbody>
</table>

** Provisional Estimates


The cost of a funeral varies considerably but in 1987 prices the average cost of funeral was £586. There are, however, major variations in these costs from one region to another, and according to whether the deceased is buried or cremated. This is shown in the Table below.

AVERAGE BILL (INCLUDING DISBURSEMENTS) FOR BURIAL AND CREMATION, BY REGION IN 1987

<table>
<thead>
<tr>
<th>Region</th>
<th>Cremation</th>
<th>Burial</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>North/Scotland</td>
<td>£571</td>
<td>£596</td>
<td>£579</td>
</tr>
<tr>
<td>Midlands/E.Anglia</td>
<td>£528</td>
<td>£605</td>
<td>£557</td>
</tr>
<tr>
<td>South East</td>
<td>£594</td>
<td>£789</td>
<td>£636</td>
</tr>
<tr>
<td>SW and Wales</td>
<td>£547</td>
<td>£557</td>
<td>£550</td>
</tr>
<tr>
<td>Great Britain</td>
<td>£567</td>
<td>£630</td>
<td>£586</td>
</tr>
</tbody>
</table>

The OFT report estimated that the size of the market for the services of Funeral Directors in 1987 was around £2,500 million. The market for supplementary services such as flowers probably constitutes a further £1,000 million.
There is some dispute over the trend of costs in the industry. For example it is reported in the Financial Times of 21st May 1988, that in 1945 the average funeral costs were about nine times the weekly wage, whereas currently funeral costs are no more than three times the average wage.

The OFT report of 1989, however, compares its 1987 results with those of a study for the Department of Health and Social Security in 1975. It finds that in 1975 the average Funeral Directors bill was £135, compared with £587 in 1987. The OFT observe that the cost of Funerals has risen by 28% more than the cost of living, when this is measured by the retail price index. This the OFT regard as some cause for concern.

**Market Share**

The OFT report provided the results of a study of the funeral arrangements made for 893 deceased individuals in 1987. The table below shows the type of firm used, with this being distinguished by region.

<table>
<thead>
<tr>
<th>Region</th>
<th>Co-operative</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>North/Scotland</td>
<td>29</td>
<td>71</td>
<td>100</td>
</tr>
<tr>
<td>Midlands/E Anglia</td>
<td>27</td>
<td>77</td>
<td>100</td>
</tr>
<tr>
<td>South East</td>
<td>13</td>
<td>87</td>
<td>100</td>
</tr>
<tr>
<td>SW and Wales</td>
<td>13</td>
<td>87</td>
<td>100</td>
</tr>
<tr>
<td>Great Britain</td>
<td>22</td>
<td>78</td>
<td>100</td>
</tr>
</tbody>
</table>

It shows that, for Great Britain as a whole, the Cooperative has a market share of about 22%, but this varies quite markedly between regions. In Scotland and the North of England the Co op has a market share of 29%, whereas in the South of England and Wales it's share is only about 13%.

The OFT document also indicates that the "big three" private firms - Hodgson Holdings, Great Southern Group and Kenyon Securities in total have about 14% of the market. The largest is Hodgson Holdings with 6%, with Great Southern and Kenyon both having about 4% each.

The remainder of the market, 64%, is supplied by primarily small, independent, long established, family-owned firms.
Market Developments

Despite the falling death rates, and the real costs of funerals falling over time, there has clearly been some increase in the overall size of the Funeral Director market for several reasons.

Firstly there has been a widening of the services provided by Funeral Directors such as the provision of private insurance schemes. In this so-called "pre-need" market individuals pay for their funerals whilst they are still alive. For example the financial trust called Chosen Heritage, established by Great Southern Group is reported to be picking up 10,000 members a year. Under this scheme individuals budget for either a £475 or a £615 funeral by making monthly installment payments over a five year period.

The scheme has been welcomed by the charity Age Concern who make details available to all their branches. The success of the scheme is reflected in the fact that it now represents about 40% of the Great Southern Groups current turnover, and is being followed, for example, by the "Dignity in Destiny" scheme begun by Hodgson Holdings.

A second development has been the provision of a much wider range of types of funerals. These will range from a basic simple funeral using veneered chipboard coffins at a crematorium to one for Royalty or a major VIP. In the latter case the Funeral Director will have to arrange flowers, church services, seating arrangements, possibly catering etc.

There appears to be a trend by some firms towards offering a wider variety of services, in what is generally deemed to be a price insensitive market, with the successful firms being those with a high income per funeral. Since the profit margins are higher in the more expensive funerals, the firms which offer a higher proportion of expensive funerals have generally been the more successful.

Whilst welcoming the greater range of funerals provided, the OFT report pointed out that the public perception was that funerals were expensive. OFT found, in their research, that there was a desire on the public's part for simple funerals. The clear implication of the OFT report is that in a small minority of cases individuals have not been made fully aware of the existence of a basic simple funeral, and instead have been encouraged to spend rather more than they would have wished.
The most important market trend, however, has been the acquisition of many long established, generally family owned, local Funeral Directors by one of the three large national groups viz; Great Southern Group, Hodgson Holdings and Keynon Securities, all of which have a USM quotation. The reasons underlying this wave of acquisition activity are discussed in Section 4 on Outline of Costs and Pricing Policies. Nevertheless the extent of the concentration has given cause for official concern. In 1987, for example, the Monopolies and Merger Commission required the Co operative Wholesale Society to sell the Funeral businesses which it acquired in its merger with House of Fraser. This was on the grounds that in some localities in Scotland consumer choice would be eliminated.

Finally there has been a very recent development with local authorities, concerned about the high price of funerals, arranging special packages of low cost funerals with local funeral directors. In practice many of the contracts have been issued to the local Co operative Society. These developments have generally been resisted by the National Association of Funeral Directors on the grounds that this interferes with the free market, and that the choice of Funeral Directors can be taken on political grounds. Nevertheless it does appear that these practices are becoming more widely established.

Exports and Overseas Interests

There is almost no exporting of this service. Perhaps the only minor exception has been that one of the three leading firms in the sector, Kenyon Securities, has specialised in the provision of services following major disasters overseas involving British nationals, such as the sinking of the "Herald of Free Enterprise" at Zeebrugge.

The interest of overseas companies in the UK Funeral Directors trade is also almost non existent, other than that a 30% share in Kenyons is held by the French funerals group Pompes Funebres Generales.

4  OUTLINE OF COSTS AND PRICING POLICIES

The main factor causing the recent acquisition of small family Funeral Directors by the three publicly quoted companies is the cost structure of firms in the industry. In almost all cases Funeral Directors are local family businesses who obtain most of their work through personal recommendation. The personal nature of the service is vitally important. Since those paying for the Funeral are generally in a state of distress the market is not thought to be price sensitive.
The Funeral Director, however, has high fixed costs in terms of vehicles, but most importantly the cost of property. For example a new hearse will cost a minimum of £20,000, with an up market Daimler costing perhaps twice that amount. It is, however, the Funeral Directors site which is the major cost. Generally the office will be located in town centre, perhaps a short distance from the prime shopping sites. In many cases the location is in the "old" part of town. Fixed charges such as rates will be substantial, together with the costs of maintaining the property in a way compatible with the traditions of the Funeral Director.

The Table below sets out these costs, showing that 20% of the costs of the Funeral are attributable to vehicle costs, and the vast majority of the 26% shown as overheads is property costs.

<table>
<thead>
<tr>
<th>FUNERAL DIRECTORS COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISBURSEMENTS: Costs and charges for</td>
</tr>
<tr>
<td>Medical certificates, cemetary/cremation</td>
</tr>
<tr>
<td>fees</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>30%</td>
</tr>
<tr>
<td>Church Fees 7%</td>
</tr>
<tr>
<td>Flowers, Press Notices 8%</td>
</tr>
<tr>
<td>SERVICES</td>
</tr>
<tr>
<td>Funeral Directors attendance, supervision &amp; overheads 26%</td>
</tr>
<tr>
<td>PROVIDED</td>
</tr>
<tr>
<td>Bearers 12%</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
<tr>
<td>Vehicles 20%</td>
</tr>
<tr>
<td>70%</td>
</tr>
<tr>
<td>Coffin 12%</td>
</tr>
</tbody>
</table>

A small, locally-based, family Funeral Director will inevitably find that there are times when the "fixed" elements of the business, notably the vehicles, the property and to a lesser extent the staff, are underutilised and other times at which the demand cannot be satisfied.

The larger Funeral Directors however are able to obtain much higher rates of utilisation of their fixed assets, notably vehicles, by being able to transfer them from one locality to another. They are also more able to offer "easy payment" packages and make administrative savings.
For these reasons small family Funeral Directors have been acquired on a substantial scale. After an acquisition the existing family business name is always maintained with the existing owner/manager also often being asked to continue in post. It is felt that in this way scale economies can be achieved without the loss of the local knowledge and personal touch, which is deemed to be vital to the success of a Funeral Directors business.

CURRENT TRENDS IN COSTS, REVENUE AND PROFITS

The Larger Firms

Although the Co op is the major player in this market, its operations are conducted at primarily a local level by local societies. Even where information is available, Societies rarely distinguish funerals from the remainder of their activities. For these reasons it is not possible to provide data on the profitability of the Co ops activities.

Nevertheless the results of the three funeral groups, with shares quoted on the USM, do give some indication of the profitability of the larger operations.

<table>
<thead>
<tr>
<th></th>
<th>1986</th>
<th>1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Southern Holdings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>£m</td>
<td>12.4</td>
</tr>
<tr>
<td>Pre tax Profit</td>
<td>£'000</td>
<td>1627</td>
</tr>
<tr>
<td>Rate</td>
<td>%</td>
<td>13.1</td>
</tr>
<tr>
<td>Kenyon Securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>£m</td>
<td>4.9</td>
</tr>
<tr>
<td>Pre Tax Profit</td>
<td>£'000</td>
<td>752</td>
</tr>
<tr>
<td>Rate</td>
<td>%</td>
<td>15.3</td>
</tr>
<tr>
<td>Hodgson Holdings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>£m</td>
<td>2.7</td>
</tr>
<tr>
<td>Pre Tax Profit</td>
<td>£'000</td>
<td>840</td>
</tr>
<tr>
<td>Rate</td>
<td>%</td>
<td>31.1</td>
</tr>
</tbody>
</table>
The Smaller Firms

It is always difficult to obtain a clear picture of the performance of small firms. This reflects the problems of obtaining information on the small company sector. Even when financial data is available, disentangling matters of profitability from Directors Remuneration, ensuring all income is identified and that all costs are properly attributed can present difficulties.

Recognising these problems of interpretation the table below shows the results of an analysis of the Balance Sheet and the Profit and Loss Account of two groups of Funeral Directors for 1987. The first column reports the average results for 19 Funeral Directors, all of which are independent limited companies, each with a turnover of less than £200,000. Given that these businesses generally charge lower prices than the norm, they can crudely be considered as providing about one funeral per week. The second group of firms are generally providing three to four funerals per week.

<table>
<thead>
<tr>
<th></th>
<th>Turnover less than £200,000 in 1987</th>
<th>Turnover between £200,000 and £500,000 in 1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Turnover £'000</td>
<td>150</td>
<td>345</td>
</tr>
<tr>
<td>Average Profit £'000</td>
<td>4.6</td>
<td>18.6</td>
</tr>
<tr>
<td>Average Directors Remuneration £'000</td>
<td>22.1</td>
<td>44.6</td>
</tr>
<tr>
<td>Average Total Assets £'000</td>
<td>91</td>
<td>262</td>
</tr>
<tr>
<td>Average Current Assets £'000</td>
<td>42.6</td>
<td>96</td>
</tr>
<tr>
<td>Average Current Liabilities £'000</td>
<td>33.7</td>
<td>89.6</td>
</tr>
<tr>
<td>Rate of Return on Capital Employed %</td>
<td>6.27</td>
<td>11.8</td>
</tr>
<tr>
<td>Profit/ Turnover %</td>
<td>3.1</td>
<td>5.4</td>
</tr>
</tbody>
</table>
Although the comparisons are not identical this table clearly indicates that amongst the medium sized Funeral Directors, with an annual turnover of between £200,000 and £500,000, profitability rates are significantly higher than those of the smaller companies. For the medium sized firms, rates of return on capital employed are almost twice as high as for small companies.

Furthermore, although there are also considerable problems with comparing the accounts of quoted and unquoted companies it is also clear that the profitability of the medium sized unquoted companies is below that of the quoted companies.

Overall the presence of scale economies in this trade are much in evidence and the reasons underlying the thriving rate of small company acquisitions are clear.

6 ACCOUNTING AND AUDITING PRACTICES

Funeral Director businesses do not present any exceptional accounting or audit problems, but it is important to be aware that the somewhat unusual nature of the business raises items of interest to an accountant. Each of these items is dealt with in a separate sub section.

Turnover

In comparing the P/L accounts of companies it is important to be aware that some quote their sales turnover including disbursements - such as church fees, mortuary fees, press notices, flowers etc. In other cases turnover is quoted with disbursements omitted. Since disbursements generally constitute about 30% of total funeral costs, these differences in conventions need to be carefully watched. Furthermore there may often be a small mark up on disbursements, all of which suggests that the best procedure is to quote turnover figures net of all disbursements.

Fixed Assets

Freehold and long leasehold properties may not be depreciated at all in some accounts, whereas in others depreciation of 2% p.a. on cost or revalued amount may take place. In any event depreciation is very modest because of the need to incur maintenance costs in order to keep property at a good standard, that to depreciate would almost constitute double counting.

For motor vehicles policies also can vary, between writing off over four to writing off over ten years. However this issue is of decreasing importance as Funeral Directors move increasingly to the use of leased vehicles rather than ownership.
Goodwill

It will be recalled that the success of a Funeral Director depends on local reputation, generally built up over a number of years. Hence the goodwill element of a business is of considerable importance. The ways in which goodwill is handled in the accounts appears to vary considerably, and is best illustrated with respect to Great Southern Holdings and Kenyon Securities, both of which have been major acquirers of small Funeral Directors.

In their 1986/87 Accounts Great Southern amortised goodwill through the P/L account over twenty years on a straight line basis. On the other hand Kenyon Securities wrote off goodwill immediately to reserves. Great Southern has however indicated that it proposes to follow this latter procedure in future years.

It is unfortunate that these differences in procedure exist since they can have direct practical implications for the appearance of the B/S, gearing and hence the ability to borrow.

Auditing Matters

Again the Funeral Director should not present any undue problems to the Auditor. There are generally a number of customers, and bad debts do not appear to be a problem in the industry.

The Funeral Director, however, can face some tricky problems with cash flow management since, in the interests of minimising anguish to the family, accounts are not normally even sent out until two to three weeks after the funeral. This means that payment is unlikely to be received until six weeks after the funeral. For this reason discounts may be offered for payments within 30 days of the receipt of the invoice.

Another key area needing control is on the disbursements. Here a number of small amounts may be paid out of petty cash to, for example the Church, the florist or the Doctor. Whilst each of the items individually may be small, the sum total can be quite substantial and it is important that each of these is itemised so that when the invoice is submitted to the customer it contains all the relevant disbursements.

It is also important for Funeral Directors to have a satisfactory system for dealing with PAYE. Most businesses employ a significant number of casual staff on a part time basis such as pall bearers. In addition payments are often made to staff for unsocial hours or other special duties such as being "on call" in the event of a death.
Whilst this is a problem in almost any small firm employing significant numbers of casual workers, the Funeral Director is likely to be making a considerable number of such payments. For this reason it is vital that an appropriate system is implemented to comply with legal requirements and for internal financial control purposes. Failure to do so can mean the employer being liable for back payments of tax and NI, with the possibility of interest payments and/or a fine particularly where it is felt that non-payment occurred as part of a deliberate attempt to defraud.

7 LEGAL COMPLIANCE AND THE ROLE OF GOVERNMENT

There is no statutory obligation for a Funeral Director to be registered or approved in any way. Once the statutory certificates have been obtained any private person is free to arrange a funeral, even with do it yourself coffin kits now being available. Nevertheless the vast majority of deaths are handled by Funeral Directors, with most of any size being members of one of the trade associations. The largest is the National Association of Funeral Directors, the members of which undertake more than 80% of UK funerals.

Government involvement with the sector has been minimal. The sector has not been, and currently is not, the focus of any specific sectoral grants or subsidies. Even the death grant, the purpose of which was to defray the costs of the funeral and which was available to all, was abolished in April 1987. Even so, at the time it was worth only £30.

In one respect there have been cases when Funeral Directors have come in contact with the law and that concerns the Monopolies Commission which have required dominant Funeral Directors in localities in Scotland, notably the Co op, to divest themselves of small local businesses since their market share was deemed to be against the public interest.

The questions raised in the OFT report on Funerals, notably over the inadequate information provided on prices, mean that the OFT could consider referring the industry as a whole to the Monopolies and Mergers Commission.

One other area in which there can be considerable conflict between government and Funeral Directors is over the question of planning permission. There are a number of firms which have encountered difficulties obtaining new premises. This is understandable in cases where it is proposed to have chapels of rest, embalming facilities etc in residential areas, but objections are also frequently raised in instances where only office premises are required.
8   TAXATION ASPECTS

Funeral Directors are exempt from Value Added Tax (VAT) in the provision of the basic funeral, so that the business is not able to recover VAT paid on input items. This can cause problems when subsidiary services such as florist or coffin making is provided, and so generally a subsidiary company is created for these purposes. This company is registered for VAT and is able to recover input items.

Differences also exist in the treatment of deferred taxation. For example Kenyon Securities appear to make full provision for deferred taxation except in respect of unrealised chargeable gains on the revaluation of freehold property and on realised chargeable gains rolled over. In the case of Hodgsons their deferred tax provision excludes estimated tax liabilities if revalued freehold properties were sold at their balance sheet values.

In principle the problem is whether to provide, under deferred taxation for the potential gain for properties which have been revalued. Under the rollover provisions that capital gain may be rolled forward into the base cost of those assets, rather than providing under deferred taxation.

9   FINANCING ACQUISITIONS/EXPANSIONS

The Funeral Director business is characterised by having very few new entrants. Almost all the trade is conducted by very long established firms, and therefore the problems of raising of capital by entrants is almost irrelevant. This places it in strict contrast to almost all other sectors of small business.

Where the raising of capital does occur is with the larger Funeral Directors who wish to acquire the smaller firms. In order to achieve this the big three are now quoted on the USM. Hodgsons, for example, have twice been back to the market. On the first occasion there was an Open Offer and a placing of Ordinary Shares. On the second occasion they provided Ordinary shares and also Redeemable Cumulative Preference shares.

Clearly the option of going to the market is a less attractive way of raising capital at the moment since the downturn in the market in 1987.

For a small, well established, but unquoted Funeral Director wishing to acquire another local firm the level of interest rates is of major importance since the acquisition will generally take place using borrowed funds.
In many respects, however the position of Funeral Directors is easier than most since medium term loans can generally be obtained because many of the businesses have freehold property which can be used as security. In times of high interest rates acquisition does become more problematic because of the difficulties of generating sufficient cash flow to service the interest charges. The amount that a predator is prepared to pay for an existing Funeral Director depends upon the current interest rates, but also on the extent to which the firm will fit, in a geographical sense, with the businesses already owned by the predator.

It appears that predators like to build up strength in often closely defined geographical areas so that they can then get a more intensive use out of fixed assets, notably vehicles.

Frequently there may be more than a single predator involved and this has resulted, until relatively recently, in a considerable bidding up of prices. Given these proviso's it appears that the approximate valuation of a Funeral Director is between £1000 and £2000 per funeral. This means at the lower end of this range that a Funeral Director conducting twenty funerals per week is worth approximately £1m.

10 TRAINING

There is a Diploma of Funeral Directors qualification run from various UK centres. The main centre is Paddington College in London which offers a structured course running from September to March culminating in a two part examination; part 1 is a written paper and part 2 is an oral/practical examination in arranging a funeral. The Diploma will only be awarded to those registered students who have passed both parts of the examination, have had two years' work experience with the funeral profession and have arranged 25 funerals. The course fee is £115.00.

Funeral Directors who already possess this qualification, and who have established professional standing, are requested by the National Association of Funeral Directors to initiate short courses at local colleges where there is sufficient interest.
If the syllabus for this course is considered in more detail it is apparent that the greatest emphasis is on the legal aspects of death and disposal of the deceased:

1. Code of Practice.
2. Coroners Procedure.
4. Registrars Procedure and Assessment.
5. Law and Practice of Burial.
7. Exhumation.
8. International Transportation.
9. Care of the Deceased.
10. Funeral Director and Public Health.

These points cover the first terms' work. It is quite obvious that as well as a professional display of tact, sympathy and dignity, the Funeral Director must be thoroughly conversant with a wide range of diverse legislation from anatomy acts to burial at sea arrangements.

Complementing the Diploma in Funeral Direction is a Health and Hygiene Certificate. This course has been designed specifically for the Funeral Service and is the result of joint discussions between the Funeral Profession and the Royal Institute of Public Health and Hygiene.

The study programme covers causes of death, legal aspects, basic bacteriology, infection, transmission of disease, health and safety, potential hazards and first aid. This course is run over 14 weeks as an evening course; there is a written paper and an oral examination. The certificate is intended to complement the Diploma in Funeral Directing.

The issue of training was also raised in the OFT report, which recommended that Funeral Directors should "exercise the greatest care in the selection and training of their staff". In this they are referring not only to formal learning, but also to ensure that staff are not in any way flippant or apparently uncaring at a time of great personal tragedy.
FURTHER INFORMATION

There are four trade magazines which cover the sector:

- Funeral Director
- Embalmer
- British Institute of Funeral Directors Magazine
- The Funeral Service Journal

The trade organisation is:

- The National Institute of Funeral Directors
  57 Doughty Street
  London
  WC1N 2NE

POST SCRIPT

It should be noted that the profession of embalming is separate from Funeral Direction. Whilst it is possible that embalmers would be qualified in Funeral Direction, their work is a distinct and separate skill from that of the Director.

If embalming is requested by relatives it is an additional expense which involves the preservation and restoration of the body to an acceptable appearance - this is particularly important in the case of accident victims. Embalming is a time consuming process which few Funeral Directors would offer themselves, the task would be 'sub contracted'. There is an Institute of Embalmers distinct from the NAFD, they have their own journal, a separate course of examinations and qualifications with much greater emphasis on cosmetic skills, hygiene and anatomy.

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