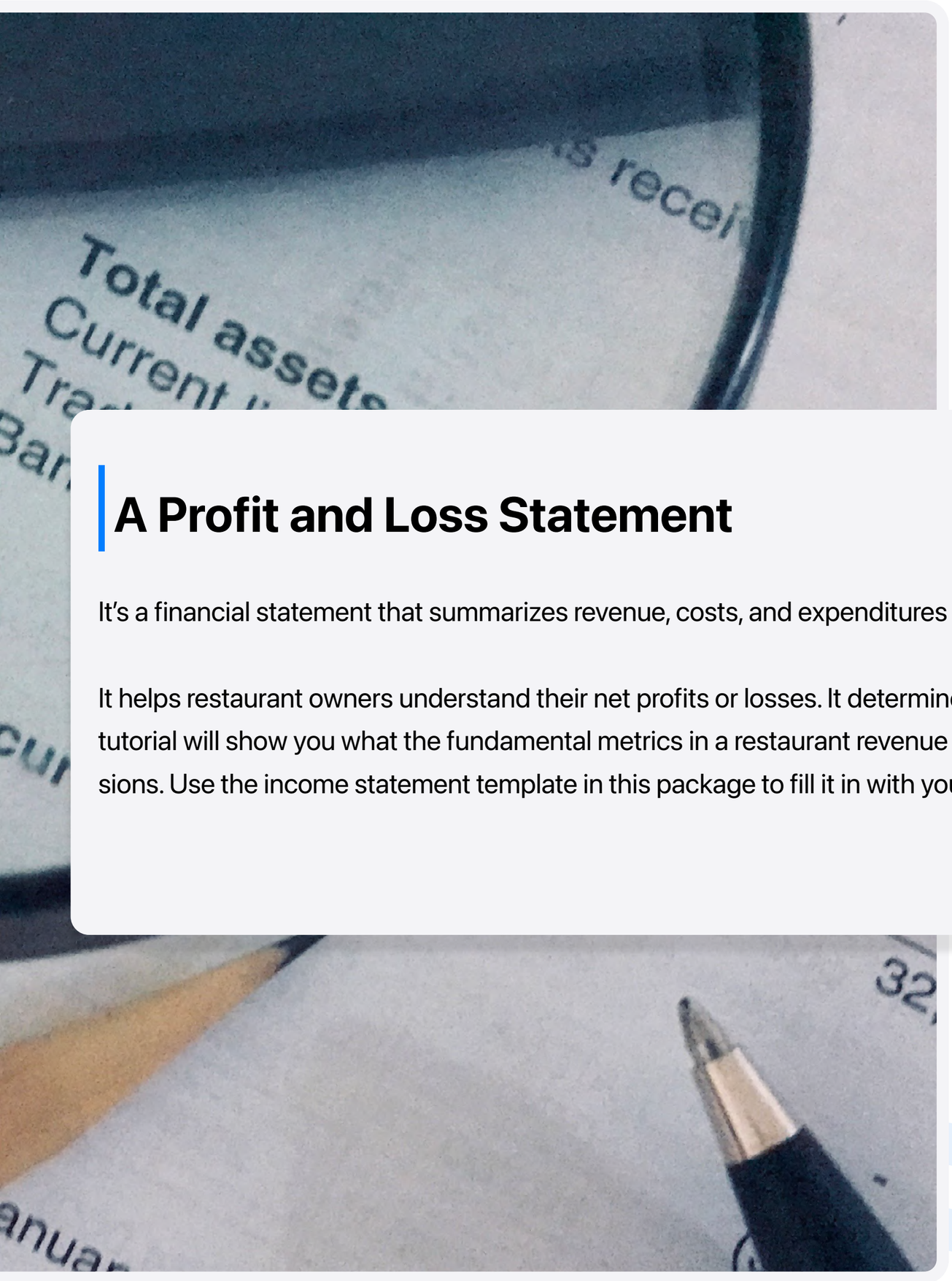
How to read a P&L report for restaurant and bar owners

WISK

What is a P&L, and why should you care?

To understand how your restaurant may be improved, you must first have a good idea of how it is presently operating. How much are you spending on labor? What is the cost of each of your menu items to you? Which dishes are the most and least popular? Is there enough money left over to pay your fixed expenses such as payroll and dining? If you want to optimize your business and boost your bottom line, you'll need to answer these questions. A P&L, or income statement, is used to assist in answering these important queries.



A Profit and Loss Statement

It's a financial statement that summarizes revenue, costs, and expenditures during a specific time period.

It helps restaurant owners understand their net profits or losses. It determines which areas of the business are most beneficial or harmful. This short tutorial will show you what the fundamental metrics in a restaurant revenue statement are and how to analyze it for valuable and actionable conclusions. Use the income statement template in this package to fill it in with your own restaurant's figures as you go.

Need to make sense of your costs? Schedule a free demo to see how.

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Creating your P&L Statement

The template should be filled in with your own data. Column C will automatically calculate when you fill it in.

1. Choose your Timeframe

The first step in producing a restaurant P&L statement is choosing a time period. You may produce P&L statements on a weekly, monthly, quarterly, or annual basis. It's a good idea to generate these reports on a regular basis so that you have an accurate sense of how various parts of your business influence costs and sales. On the template, type in your restaurant's name and the period for which you'd like to collect data.

2. Record the sales for your chosen time period

The sales part of an income statement is the first section. The sales portion of the income statement displays how much money your restaurant made throughout the specified time period. Food, wine, beer, liquor, and soft drink sales are shown in the income statement template in several sections. You may pick to track sales more thoroughly by separating your food sales into more specific categories or menu groups, or you can simplify your P&L statement by combining sales into only food and beverage.

If your POS system has sales tracking and reporting capabilities, you should be able to access significant information on your chosen timeframe simply. If you don't have a POS system, use whatever method is currently in place for keeping track of sales.

3. Fill in your cost of goods sold (COGS)

COGS is a term often used in corporate accounting to represent the cost of the inventory that was consumed in order to create the food and beverage items sold over a particular time period. If you follow consistent recipes for all of your meals and beverages, calculating your COGS should not be difficult.Let's assume that you produce 10 burgers and each costs you $3 to develop based on your inventory purchasing costs and the quantity of each ingredient utilized in production. COGS is therefore $30 (10 x $3).

You're calculating the same thing for all of your food and beverage sales for the sake of this P&L statement. If you're using the template, each item's cost-to-sales ratio will be calculated automatically as part of your overall food and beverage expenses.

4 . Track Your Labor.

All salaried and hourly workers, as well as payroll taxes and employee benefits, are included in Labor. You should enter each of these labor-related expenses into the income statement template separately during the time period you've chosen.

5. Track All Your Operating Expenses

Operating expenses are the controllable expenses involved in running your day-to-day operations. This could include things like supplies, repairs and upgrades, marketing and advertising, and music and entertainment.

6. Keep track of your occupancy expenses

The service cost is a fixed overhead expenditure that covers things like rent, real estate, and property insurance. These expenses are set in stone since you don't have the ability to vary or change them.

7. Calculate Depreciation

Over time, the value of an asset, in this case a real estate property and equipment, will depreciate. Although depreciation is unavoidable, it must be taken into account to produce accurate net income or loss figures.

Analyzing a P&L Statement

Based on the data you supplied, the template will calculate important information about your company.

Your Sales Percentage

In Column C, you'll see the percentage of total sales that is being used to cover labor, occupancy, food and beverage costs, and operational expenses if you've been filling in your data in the template.

The percentages shown here are a good indicator of how well your company is doing. The biggest proportion of total sales should be made up by labor and food costs, according to industry norms (typically around 30% each for both quick-service and full-service restaurants).

Boss mode: Every restaurant is unique, but if you discover that labor, food, and drink expenses are abnormally high relative to income, it may be time to reconsider your staff.

Your gross profit and gross profit margin

A company's gross profit is the difference between total sales and total cost of goods sold. Once you enter sales and COGS values into the income statement template, Excel calculates gross profit automatically.

To the right of the gross profit dollar amount, you'll see a percentage, which indicates your restaurant's gross profit margin. The gross profit margin is calculated by dividing your gross income by total sales.

Take a closer look at the profit margin over time, comparing it to your historical data, to see how changing food and beverage expenses impact margins. When restaurants decide where to set menu prices and portion sizes, gross profit margin is frequently one of the indicators they consider.

Boss mode: Track this metric over time and use the data to make decisions about pricing menu items and setting portion sizes.

Your Net Profit or Loss

The bottom line is the final measure in the income statement template, and it's one that you're probably most concerned about. The net profit/loss figure indicates how well your company did during a specific period of time.

This number will be either positive or negative, depending on the company's performance. Congratulations if this measure is positive.

Overall, your restaurant appears to be a success. The number is negative if your total food and beverage sales are greater than your restaurant's costs. That might indicate a problem in the long run.

Keep an eye on net profit/loss and compare it to your own historical data to see how your restaurant's bottom line compares to the previous week, month, or year.

Prime Cost

While it is true that you must calculate your restaurant's net profit or loss, this isn't a particularly useful statistic. It shows how your restaurant's bottom line varies over time, but it doesn't provide any direction on how to improve it.

It simply displays how your restaurant performed in the past. If you're seeking for methods to reduce costs and boost your net profit, the most crucial cost figure is the peak cost of your operation.

The cost of goods sold, which is often called "cost of sales," is the most important cost for a restaurant. Not only does prime cost make up the majority of a restaurant's costs (typically about two-thirds or 60 percent), but it also makes up the portion of the business that may be altered in order to maximize earnings.

Minor reductions in labor and food expenses for a set length of time may not appear to be significant, however each dollar shaved off of prime cost is another dollar that can be spent on overhead costs or profit.

Boss mode: To increase net profit, identify where to cut costs using prime cost, which is the total of COGS and labor expenses.

Data is critical to good business. You'll begin to notice patterns and areas that need more attention as you produce income statements and track prime cost overtime, allowing you to make appropriate adjustments.