



Food services financial reporting:
3 must-review items on your financial statement and how QuickBooks can help

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Ready to learn more?

800-692-3621

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Introduction

Food services represents one of the fastest-paced industries there is. Whether you run a boutique restaurant, franchise, food truck or catering service, key areas of focus (and concern) tend to be the same across business types—sales; cash flow; and labor, food and beverage costs. And as they should be. Sales and cash flow ensure you have enough money to pay your bills and your staff—and labor, food and beverage costs can make or break a business.

While bookkeeping comes with the business-owner territory, it's not likely that you launched your enterprise because you have a passion for financial reporting or generally accepted accounting principles (GAAP). Running a profitable restaurant (or any other food-based operation) takes up a great deal of time. It demands your focus on everything from managing inventory and ordering to staffing and providing a rich diner experience. So, at the end of a busy day, the last thing on your mind is reviewing financial statements and conducting data analysis.

While not your passion, however, maintaining a current and complete view of your financial position is critical to long-term success. This means regular review of monthly financial statements, including the balance sheet, profit and loss (P&L) report and cash flow statement. Packed with business intelligence and key financial insights, these reports help you better assess operational sustainability and risk by identifying potential issues ahead of time—for example, cash shortfalls, spikes in food and beverage costs or lags in sales.

While this sounds like a lot, keeping up with financial statement review doesn't have to take up a great deal of your time. This eBook was created to provide you with a focused list of key data points to monitor. It also offers several helpful tips to maximize the power of QuickBooks Online Advanced to better manage your financials and grow a highly successful enterprise.



Key financial data points made simple

Accounting and bookkeeping expert to the food services industry, Erin Walsh Dyer, owner of The Bookkeepers Friend, deeply understands the importance of reviewing financial statements and the requisite data points to focus on. Start with the following top three data points to help you get comfortable with analyzing your financials.

As a QuickBooks ProAdvisor, Walsh Dyer provides added insight into core system features that can save you valuable time. From using tags and pulling custom reports to integrating with powerful forecasting solutions like Fathom, you'll learn how to dig deeper into the numbers to support informed business decisions and fuel growth.

Item 1: Sales

Sales is used as an umbrella term here to represent the whole of sales activities within a food services business. Clearly, all sales are important. But as Walsh Dyer points out, there are specific data points clients should be analyzing regularly.

“Restaurants and other food-based businesses can break the data down into very detailed micro-reports,” said Walsh Dyer. “I help my clients look at such things as online versus call-in orders and dine-in versus takeout sales. This provides good insight into how clients are coming to them and what they can do to improve service.”

For example, if a restaurant is receiving 90 percent of orders online versus 10 percent by phone, it’s important to make sure the online experience is as frictionless as possible for customers. It’s also an indicator that the business may want to look into other online channels (beyond just its website) to expand market reach such as Uber Eats, Door Dash or Grubhub.

“I also like to conduct year-over-year comparisons on data points like holiday sales. If the data shows that Labor Day sales in the previous year were 50 percent higher than the current year, it’s important to look at what the business is doing differently today and make adjustments as needed,” explained Walsh Dyer.

For example, holiday sales data may show that in the previous year the business spent more money on advertising and promotions leading up to Labor Day or offered a few highly popular menu items/specials. Digging into data is such detail can help business owners uncover trends that aid in making informed decisions to increase sales year over year.

Businesses should also consistently be looking at higher-level metrics such as food and beverage sales per guest. This enables business owners to get a handle on which menu items appeal most to guests and then make adjustments to remove underperforming items and/or increase prices on hot-selling dishes.



QuickBooks Tips:

The tags feature in QuickBooks Online is exceptionally helpful for creating what Walsh Dyer calls “micro-reports.” By applying specific tags, users can drill down into data details and [create highly custom reports](#).

“QuickBooks Online allows you to easily create tags and organize them within groups. For

example, you can create a Labor Day tag and add it to a group titled Holidays. You can even color code tag groups,” explained Walsh Dyer. “You can then apply tags within sales receipts, which enables you to filter a sales or P&L report and isolate specific tag-related information.”

Sales Receipt

Customer: Daily Sales Summary | Email: Daily Sales Summary | Send later: | Co/B

Billing address: Daily Sales Summary | Sales Receipt date: 02/23/2021

Shipping to: | Ship via: | Shipping date: | Project Number: | Sales Rep: | Sales Manager: | Sales Reps: | Deposit to: 1120 Company S

Tags: Labor Day | + Add Labor Day

Quickly create a tag for Labor Day.

Create a new group

Group name: Holidays | Tag name: Labor Day

Put similar tags in the same group to get better reports. [Find out more](#)

▼ Show me examples of groups

- I have a clothing store. I want to see which seasonal collection sells the best.
 - Group: Collection
 - Collection: Spring
 - Collection: Summer
- I run a gym. I want to see which fitness classes and instructors make the most money.
 - Group: Fitness class
 - Fitness class: Yoga
 - Fitness class: Rowing
 - Group: Instructor
 - Instructor: Daniel
 - Instructor: Maria

Add your Labor Day tag to a color-coded group called Holidays to keep tags organized.

Clients can continue to add tags for other holidays, such as New Year's eve, Saint Patrick's Day and Valentine's Day, in order to run micro sales reports for these popular sales days.

The screenshot shows the 'Sales Receipt' form in QuickBooks. A dropdown menu is open for 'Event Staff' tags, listing various roles and holidays. The tags are color-coded: blue for 'Event Staff' (Chef, Kitchen, Manager, Server) and pink for 'Holidays' (Fourth of July, Labor Day, New Years Eve, St. Patricks Day, Valentines Day). Other form fields include Customer (Daily Sales Summary), Email, Billing address, Sales Receipt date (03/27/2021), Shipping date, Tracking no., Sales Rep, and Approval Status.

By color coding tags, you can identify the tags you need to apply with a quick visual scan.

Walsh's Irish Pub
Income by Tag: New Year's Eve
January 2018 - December 2020

	JAN - DEC 2018	JAN - DEC 2019	JAN - DEC 2020	TOTAL
Income				
Sales	15,605.00	17,716.00	5,793.00	\$39,114.00
Total Income	\$15,605.00	\$17,716.00	\$5,793.00	\$39,114.00

Compare New Year's eve sales year-to-year in this micro-report.

Price Rules is another helpful feature for tracking such important data as price changes. The ability to view price changes by month or season offers added, detailed insight on what is driving overall sales.

“We can create a Price Rule called Summer Specials and select the price adjustment

method ‘Custom price per item.’ Then we can add a start and end date, summer months in this example, and input the price change on certain items. When we run a comparative sales report to period with regular pricing, the client will be able to see this level of detail,” said Walsh Dyer.

Rule name: Summer Special

Customer: All customers

Products and services: Select individually

Price adjustment method: Custom price per item

Start date: 05/24/2021

End date: 09/06/2021

PRODUCTS	SKU	DESCRIPTION	COST	SALES PRICE	ADJUSTED PRICE	EXCLUDE PRODUCT?
All Star Burger				8.99	6.99	<input type="checkbox"/>
Fish & Chips				12.99	9.99	<input type="checkbox"/>

Buttons: Save, Save and close

Create unique Price Rules to track price changes down to the level of individual items.



Item 2: Cash flow

Before diving into this key data point, it's important to understand the importance of integrating your POS (point of sale) and accounting systems.

According to Walsh Dyer, "These applications need to be integrated. This ensures that daily sales are getting into QuickBooks so data is accurate and appears in real time. It also helps eliminate manual data entry of sales receipts [and the errors that come with it]. And finally, when these systems are integrated, it allows you to perform cash flow forecasting by integrating cash flow modeling tools like Fathom, which is included with QuickBooks Online Advanced subscriptions."

Cash flow is the lifeblood of any business. If you run out of cash, you don't have a business—so being vigilant about monitoring cash flow is crucial. The issue expressed by many business owners is often with the reporting itself. A standard cash flow report is composed of rows and columns of numbers (seemingly endless), which can be overwhelming.

According to Walsh Dyer, this issue is solved by using the Performance Center within QuickBooks Online Advanced. Within the Performance Center, clients can [view the numbers](#) within a graph-friendly dashboard—including key data such as year-to-date revenue (and revenue compared to last year), revenue based on products, expenses by time, revenue by time, cost of goods sold (COGS) and more.

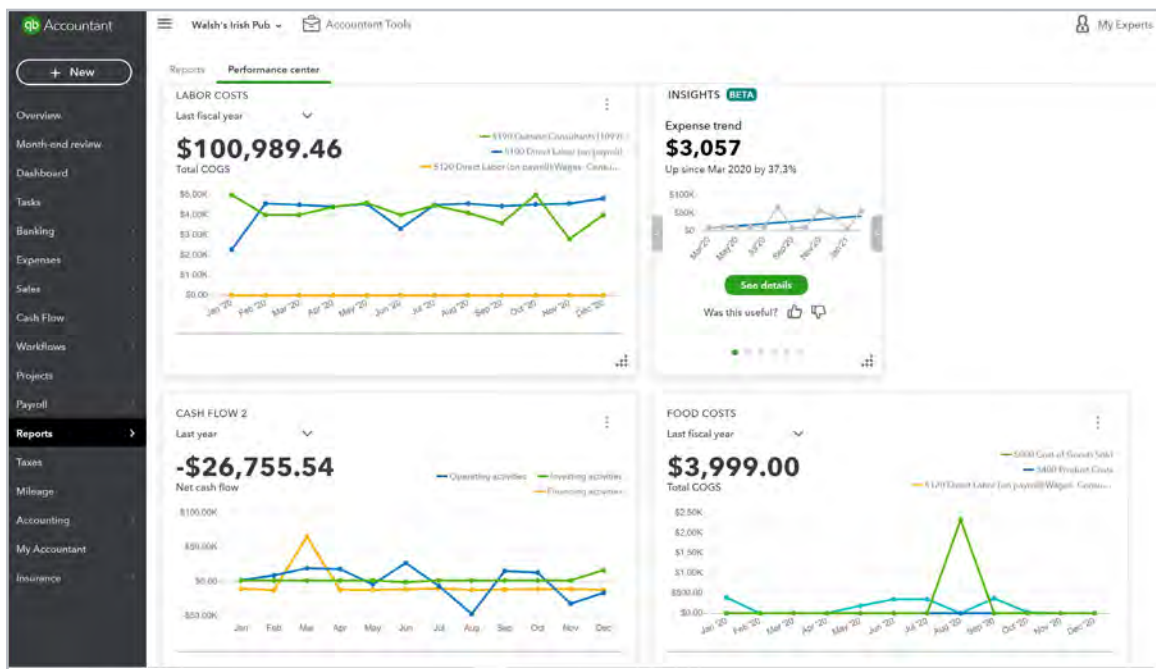
"The dashboard is very helpful for clients. Everything is presented in easy-to-read graphs, and you can create up to 25 custom charts to track data," explained Walsh Dyer. "This is essential for clients to effectively and efficiently monitor cash flow."

The key to monitoring and tracking cash flow effectively is simple: regular review of the data. QuickBooks helps food-service-based businesses do this by providing real-time data in a highly visual format.

QuickBooks Tips:

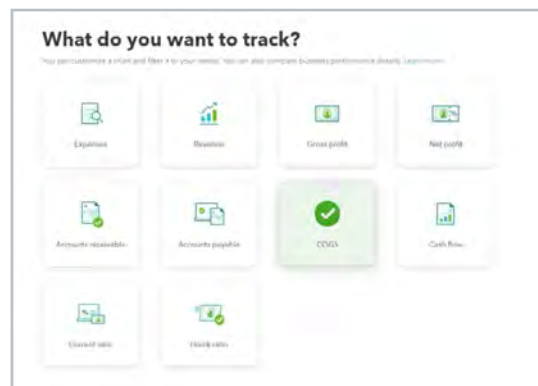
Walsh Dyer is a big advocate of streamlined, integrated systems. She explained: “First and foremost, it’s important for the POS and accounting system [such as QuickBooks] to be integrated. This eliminates manual data entry and opens up a world of efficient data tracking and reporting options. It also enables further integration with cash flow forecasting and modeling tools like Fathom.”

Starting with QuickBooks Online Advanced Performance Center, it’s clear just how easy it is to track and monitor data in real-time. With the ability to add built-in Quick Charts or create custom charts, the Performance Center offers a visually appealing and intuitive dashboard for tracking data at a glance.



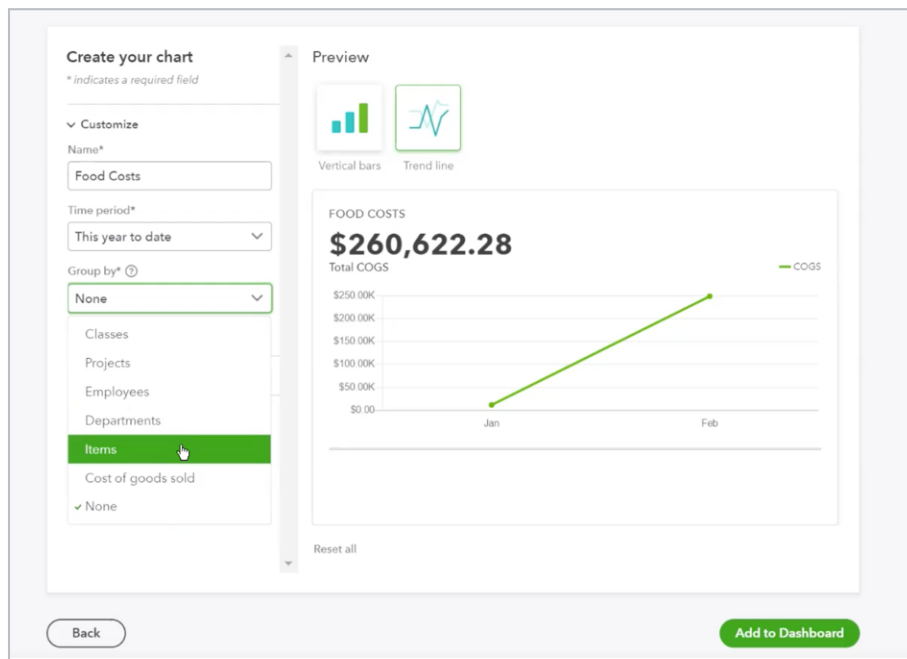
Color charts and graphs make easy work of daily financial data monitoring.

Because COGS is a critical data point for restaurants and other food-based businesses, the system allows you to add this chart to the Performance Center with just a few clicks.



Click "Add new chart" in the Performance Center and then select COGS

As you build historical data in QuickBooks and integrate with solutions like Fathom, data flows between systems for forecasting and modeling purposes. Based on up to 36 months of data, you can start to predict trends and make smarter, informed business decisions based on sound cash flow forecasting.



Then name your chart and select items to track year to date.

Forecast

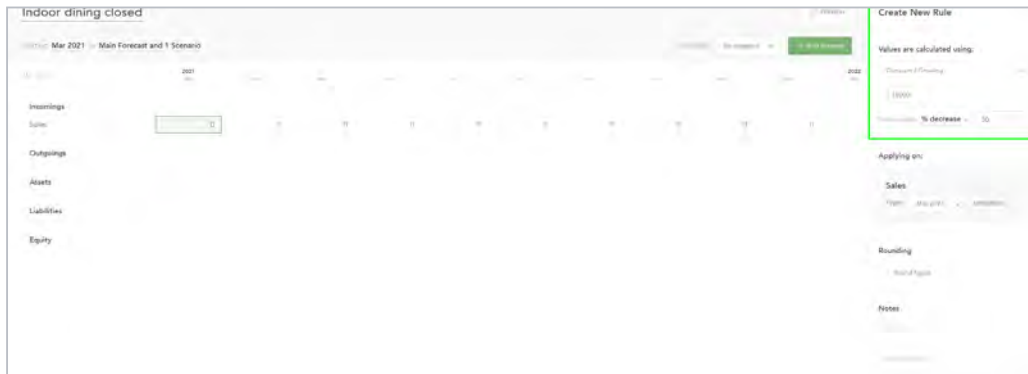
Profit & Loss Balance Sheet Drivers Cash Flow

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue										
Warehousing Income (Netting)...	0	0	0	0	0	0	0	0	0	0
Billable Expense Income	0	0	0	0	0	0	0	0	0	0
Shipping Income	0	0	0	0	0	0	0	0	0	0
Unapplied Cash Payment Income	0	0	0	0	0	0	0	0	0	0
Uncategorized Income	0	0	0	0	0	0	0	0	0	0
Sales	0	0	0	25,000	25,500	26,010	26,530	27,051	27,602	
Costs Revenue	0	0	0	0	0	0	0	0	0	0
Markup on Reimbursable Expenses	44	52	3	44	48	48	70	95	58	
Reimbursed Exp. (Income)	440	421	32	5,000	440	483	720	855	584	
Sales of Product Income	0	0	0	0	0	0	0	0	0	0
Book Sales	0	0	47	174	176	162	125	125	176	
Consulting Revenue	19,520	15,250	49,190	52,020	53,040	54,122	55,204	56,308	57,434	
Software Sales	0	0	0	0	0	0	0	0	0	0
Hardware Sales	0	0	0	0	0	0	0	0	0	0
Speaking Fee	0	0	0	0	0	0	0	0	0	0
Total Revenue	20,004	15,933	49,272	82,763	79,788	81,548	84,999	85,358	86,378	
Cost of Sales										
Cash on Hand	504,176	1,100,863	5,130,801	888,001	-920,892	-1,109,249	-1,197,216	-2,263,741	832,155	-3,547,834

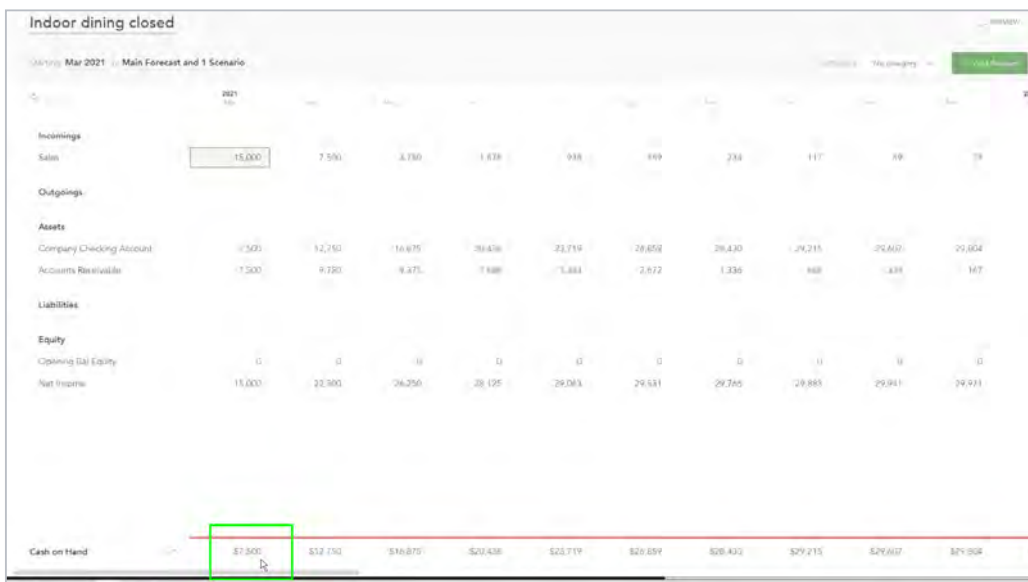
Easily review historical data on all aspects of revenue.

When systems are integrated, you can create micro-forecasts based on unique variables. For example, you can create a forecast on the effect of “Indoor dining closed” for the month of March. In this example, you would create

a new rule in the system: “Constant/Growing revenue” at \$15,000 per month and “with monthly % decrease” at 50%. Once the rules are set, you can see the effect on Cash on Hand within the sales report.



Easily set rules to see effect on sales.



Cash on hand reported based on unique rule.

The key to staying ahead of trends is to use the data within QuickBooks to accurately create forecasts and models that help you make

profit-driving business decisions. This is possible when all the right systems are integrated.

Item 3: Labor, food and beverage costs

Walsh Dyer cannot overstate the fact that labor, food and beverage costs are what can make or break a business. Staying focused on these data points offers visibility into data trends and anomalies—allowing business owners to resolve potential issues before they negatively impact the bottom line.

“If we are vigilant about tracking food and beverage costs, we might detect a rise in food costs that are really eating into profits. This would lead us to look into certain suppliers and pricing changes and prompt the client to research other vendors in order to control costs,” explained Walsh Dyer.

For example, within the Performance Center, clients can easily track data points such as food and beverage costs compared to last fiscal year. If the cost of goods sold shows large spikes in food costs within certain time frames, this would alert the business owner to investigate deeper.

“Working with the client, we might ask such questions as: Did cost go up on a specific product? Then we would dig into why. This could lead back to vendor price increases, which would mean the client may need to go shopping for a new supplier,” said Walsh Dyer.

At the same time, clients also need to be tracking labor costs. This can be done by setting up a labor chart within the performance center just like with food and beverage. Regular weekly review of the P&L is also sound practice.

“Labor costs can change so quickly, so it’s a good idea to run a P&L frequently. You can break down costs like direct labor (payroll) and outside consultant costs. Comparing costs week to week to better gauge how much cash is going out for labor is important to make adjustments as needed.”

Overall, labor, food and beverage costs make up the bulk of expenses in any food-based business. Staying apprised of the detailed data, trends and anomalies better positions business owners to keep these costs in line and grow a profitable enterprise.

QuickBooks Tips:

Monitoring labor, food and beverage costs is a never-ending task. According to Walsh Dyer, because these costs can drastically change at any time, it's important to run comparative financial reporting on a frequent basis.

"It's a good idea to perform week-to-week P&L comparisons," said Walsh Dyer. "You can set the report up for the full quarter but view the numbers by week. This is very helpful for detailed tracking of labor, food and beverage costs."

	JAN 1-2, 2021	JAN 3-4, 2021	JAN 10-16, 2021	JAN 17-23, 2021	JAN 24-30, 2021	JAN 31 - FEB 6, 2021	FEB 7-13, 2021	FEB 14-20, 2021	FEB 21-27, 2021	TOTAL
Income										
4100 Revenue - Service										\$0.00
4110 Consulting Revenue			30,000.00	10,900.00		18,290.00				\$49,190.00
Total 4100 Revenue - Service			30,000.00	10,900.00		18,290.00				\$49,190.00
5200 Class Revenue								15,000.00		\$15,000.00
Total 4400 Revenue - Product	45.50							45.50		\$91.00
4900 Marketing and Promotional Exp. (Income)						3.00				\$3.00
4901 Referral (Exp. Income)						33.60				\$33.60
Total Income	\$45.50	\$0.00	\$30,000.00	\$10,900.00	\$0.00	\$18,325.20	\$0.00	\$0.00	\$196.50	\$49,448.20
Cost of Goods Sold										
5100 Direct Labor (unassigned)	2,272.73		2,272.73			3,211.47		2,119.10		\$6,976.23
4190 Outside Consultants (1999)				1,500.00						\$1,500.00
4401 Product Costs										\$0.00
4420 Cost of Goods for Recipe	29.25									\$29.25
Total 5400 Product Costs	29.25									\$29.25
5900 Reproduction Expense						34.00				\$34.00
Cost of Goods Sold (including cost of...)						244,636.85				\$244,636.85
Total Cost of Goods Sold	\$2,295.98	\$0.00	\$2,272.73	\$2,500.00	\$0.00	\$251,394.47	\$0.00	\$2,159.10	\$0.00	\$249,622.28
GROSS PROFIT	\$-2,249.48	\$0.00	\$17,727.27	\$8,400.00	\$0.00	\$-233,069.27	\$0.00	\$-2,159.10	\$196.50	\$-211,174.08

Track labor, food and beverage costs week to week within the P&L.

Additionally, creating charts specific to these costs in the Performance Center offer an at-a-glance view of critical data points.

Because these costs can make or break a business, keeping an eye on the data over time is key to managing expenses, making informed decisions and running a profitable enterprise.



Stay apprised of labor and food costs variances over time.

Final thoughts...

While not an exhaustive list, the tips offered in this eBook provide those within the food services industry with sound advice and insight on what to look for in their financial statement and how to maximize the power of QuickBooks. By reviewing the key data points consistently, business owners and managers can stay in the know in relation to financial health, business sustainability and potential future risks.

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