

# Food and Beverage Comp Accounting Examples

## Example #1

The process of correctly recording comps is summarized in Example #1. For the sake of simplicity, food and beverage purchases are shown as equaling cost of goods consumed. In actual practice, purchases would be adjusted for inventory changes *before* cost percentages are calculated.

## Example #2

This example shows a simple comps tracking method. With this worksheet, comps can either be listed individually or summarized daily. A downloadable tracking sheet, like the one in this example, is available on the Trade Secrets Web Site.

## Examples #3a & #3b

These are samples of the final periodic reports from a much more complex tracking system. The comps are posted on a daily basis as part of a computerized sales/deposit reconciliation "module", and are saved on a data base (Example #3a) until period-end. The summary and journal entries amounts (Example #3b) are calculated automatically when the periodic cost of sales percentages are entered. This system provides not only a breakdown of various types of comps, but also transfers the cost of certain comps to non-marketing expense accounts.

## Finally...

Once the method of tracking comps is decided, the only task left is to make sure that the daily sales data include the retail value of all comps. Point-of-sale registers must be programmed carefully, so that comps and discounts are processed correctly. Not only must food and beverage comps be reported separately, but some method of identifying sales tax associated with those comps must also be devised (refer to the sales and use tax regulations in your state before implementing any procedures).

Example #1 assumes that sales tax on the full retail value of all comps was recorded, and eventually reversed. However, this is seldom the case in actual practice—for instance, sales tax will seldom be calculated for discounts or the gratis portion of 2-for-1 promotions. Also, it is important that any comps that include sales tax (like bar sales in some locales) be identified, so that the tax can be broken out. For some operations, it may be advisable to eliminate the comps tax on a daily basis (debit "Sales Tax Payable", credit "Comp Food & Beverage"), particularly if there is a "mix" of comps (comps for which sales tax was calculated and untaxed comps).

## Example #1

# Simplified Journal Entry Procedure

(based on hypothetical activity for one accounting period)

Gross Sales (including 7% Sales Tax, and Complimentary Food and Beverage): **\$160,500**

Includes at <i>retail value</i> :	<u>Comp Food &amp; Beverage</u>	
	Food	1,250.00
	Beverage	250.00
	Sales Tax	<u>105.00</u>
		1,605.00

### Summary of the Daily Activity in the General Ledger

(1) Food Sales	<112,500.00>	(2) Food Cost (30%)	33,750.00
Beverage Sales	<37,500.00>	Beverage Cost (25%)	9,375.00
Sales Tax Payable	<10,500.00>	Cash in Bank	<43,125.00>
Cash in Bank	158,895.00		
Comp Food & Bev.	1,605.00	(1) records sales; (2) records product purchases	

### Journal Entries at Period-End

(3) Food Sales	1,250.00	reduces Food Sales for Food Comps
Beverage Sales	250.00	reduces Beverage Sales for Beverage Comps
Sales Tax Payable	105.00	reduces Sales Tax for Comps
Comp Food & Bev.	<1,605.00>	reverses retail value of Comps
(4) Food Cost	<375.00>	reduces Food Cost for Food Comps (30% X 1250.00)
Beverage Cost	<62.50>	reduces Bev. Cost for Bev. Comps (25% X 250.00)
Sales Tax Payable*	<4.38>	records liability for sales tax on the cost of beverage comps (7% X 62.50)
Comp Food & Bev.	441.88	records total cost of Comps

### General Ledger Account Activity

	<u>Food Sales</u>	<u>Beverage Sales</u>	<u>Sales Tax Pbl</u>	<u>Cash In Bank</u>
(1)	<112,500.00>	(1) <37,500.00>	(1) <10,500.00>	(1) 158,895.00
(3)	1,250.00	(3) 250.00	(3) 105.00	(2) <43,125.00>
			(4) <4.38>	
	<111,250.00>	<37,250.00>	<10,399.38>	115,770.00
	<u>Food Cost</u>	<u>Beverage Cost</u>	<u>Comp Food &amp; Bev</u>	
(2)	33,750.00	(2) 9,375.00	(1) 1,605.00	
(4)	<375.00>	(4) <62.50>	(3) <1,605.00>	
			(4) 441.88	
	33,375.00	9,312.50	441.88	

\*California law requires that sales tax be paid on the cost portion of complimentary alcoholic beverages and sodas. Please refer to the sales and use tax regulations in your state before implementing these procedures.



### Example #3a

#### COMP FOOD & BEVERAGE

PERIOD 8

Tax Rate: 8.25%

Start: 7/11/05

End: 8/7/05

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Date	Authorized By or GC #	Comp Type	Sales Grp	Food	Liquor & Beer	Wine	Sales Tax	Tips/ Other	Comp Total
08/02/05	N. Cox	OC	CAF	11.36			1.27		12.63
08/02/05	Banquet	MP	BQT		3.23		0.94	1.65	5.82
08/03/05	Kelly	MP	NBR		15.24		0.27		15.51
08/04/05	Lopez	OC	NBR		1.25		1.26		2.51
08/04/05	Kelly	MP	CAF	35.20			3.01		38.21
08/04/05	Donan	MP	LUN	14.80			1.22		16.02
08/04/05	Richards	OC	DIN	44.55		1.64	3.81		50.00
08/05/05	Kendall	OC	DIN	40.75			3.36		44.11
08/05/05	N. Cox	OC	NBR		6.93		0.57		7.50
08/05/05	Canfield	MP	NBR		26.56		2.19		28.75
08/05/05	Donan	MP	DIN	19.75		6.00	2.12		27.87
08/05/05	Canfield	MP	NBR		13.86		1.14		15.00
08/05/05	Donan	MP	NBR		49.88		4.12		54.00
08/06/05	231-D	GC	DIN	46.19			3.81		50.00
08/06/05	Canfield	MP	CAF	9.00			0.74		9.74
08/06/05	Donan	MP	CAF			18.00	1.49		19.49
08/06/05	Canfield	MP	NBR		9.24		0.76		10.00
08/07/05	1544-D	GC	BRN	29.90			2.47		32.37
08/07/05	1756-D	GC	BRN	29.90			2.47		32.37
08/07/05	1039-D	GC	BRN	29.90			2.47		32.37
08/07/05	Donan	MP	NBR		10.16		0.84		11.00
08/07/05	Kelly	EE	NBR		13.86		1.14		15.00
08/07/05	Donan	MP	DIN		8.00		0.66		8.66
08/07/05	Donan	MP	CAF		6.50		0.54		7.04
08/07/05	Canfield	MP	CAF	11.90	1.25		1.08		14.23
08/07/05	Canfield	MP	CAF	4.95			0.41		5.36
08/07/05	Canfield	MP	CAF	7.95			0.66		8.61
08/07/05	Canfield	MP	CAF	18.85			1.56		20.41

TOTALS 1,181.38 611.26 160.57 161.19 1.65 2,116.05

### Example #3b

PERIOD 8

### COMPS SUMMARY / JOURNAL ENTRIES

8/7/05

#### SUMMARY

Comps @ Retail	Food	Liquor & Beer	Wine	Sales Tax	Sub-Total	Tips/Other	Comps Total
Misc. Promotion	437.01	285.89	88.73	66.99	878.62	1.65	880.27
Comp Gift Cert.	391.54	20.31	1.06	34.08	446.99	0.00	446.99
EE Merit Comps	119.73	195.27	0.00	26.00	341.00	0.00	341.00
Owners' Personal	233.10	109.79	70.78	34.12	447.79	0.00	447.79
Totals	1,181.38	611.26	160.57	161.19	2,114.40	1.65	2,116.05

#### JOURNAL ENTRIES

<b>Reverse Comps @ Retail Value</b>			
	Food Sales	#4010	1,181.38
	Liquor/Beer Sales	#4020	611.26
	Wine Sales	#4030	160.57
	Sales Tax Payable	#2133	161.19
	Comp Food & Bev.	#5420	(2,114.40)
<b>Record Comps @ Cost</b>			
Comp Food & Bev.	#5420	542.16	Food Cost %: 28.84%
Food Cost	#5010	(340.71)	Liq/Beer Cost %: 21.06%
Liquor/Beer Cost	#5020	(128.73)	Wine Cost %: 35.73%
Wine Cost	#5030	(57.37)	Sales Tax %: 8.25%
Sales Tax Payable	#2133	(15.35)	
<b>Reclassify Employee Comps</b>			
			<u>EE Benefit Calculation:</u>
			Food Cost 34.53
			Liq/Beer Cost 41.12
Other EE Benefits	#5290	79.04	Wine Cost 0.00
Comp Food & Bev.	#5420	(79.04)	Tax on Bev. Cost 3.39
			Total Cost 79.04
<b>Reclassify Owners' Comps</b>			
			<u>Owners' Benefit Calculation:</u>
			Food Cost 67.23
			Liq/Beer Cost 23.12
Owners' Misc. Ben.	#5860	119.63	Wine Cost 25.29
Comp Food & Bev.	#5420	(119.63)	Tax on Bev. Cost 3.99
			Total Cost 119.63