



# THE MOST COMMON PROBLEMS OF RUNNING A RESTAURANT OR CAFÉ

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& HOW TO  
RESOLVE THEM



**FORTIS**

CLOUD ACCOUNTING

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# Introduction

The Restaurant/Café industry is one of the fastest-paced and most dynamic industries. Restaurant owners opening their business become swamped in operational activities and worry about profit margins and cash flow. Most restaurant owners start their business with the aim of introducing the tried and tested cuisines of their childhood and make an effort to expand their business from one location to a chain of restaurants/cafés. However, cash flow uncertainties, tight profit margins, the labour-intensive nature of the business and high volumes of small transactions pose challenges to maintain a positive cash flow, healthy financial performance, and consistent customer service. Ultimately, the involvement of the business owner in day-to-day operations increases. Expansion into multiple locations seems daunting and difficult to fund.

You may have already contacted your accountant for support to overcome some of your challenges around profitability, cash flow issues and compliance. However, a major part of the support you've received would have been for compliance and general advice. Compliance is necessary for business operations, but it doesn't contribute to an increase in operational efficiency, financial performance, the overall success of the business or reaching personal goals of restaurant owners. For this, you need the services of a professional adviser who understands precisely how the hospitality industry operates. It is vital to have an adviser who understands all the factors which are impacting the underperformance of your restaurant business, whether financial or non-financial and understand what solutions are available to resolve these problems. You should choose an accountant who has established experience and expertise working with restaurant owners and one who can help you bridge the gap in your restaurant's path to success.



## WHAT YOU'LL FIND IN THIS BOOK

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- The current reality of restaurant/café businesses
- Five major problems with running a restaurant/café business
- Plan of actions for resolving problems
- Fast-track your success and call us!

## THE CURRENT STATE OF THE RESTAURANT AND CAFÉ INDUSTRY

Despite significant growth opportunities in the hospitality trade, most restaurant/café owners struggle to maintain a positive cash flow, acceptable profit margins, find time to work on their business growth and increase their personal income. The pressure to reduce costs, lack of time and poor cash flow management, often makes it less likely for restaurant/café owners to take steps in getting the right support at the right time. This usually has a negative effect on businesses and their owners. The main reason for the failure of restaurants despite their significant resources is the lack of timely actions. To guarantee the success of your restaurant/café business and achieve the goals you need to start taking action now. Identify problems in your restaurant/café, implement solutions, and get the right help before it's too late.







# Big Problems

## 1. WEAK CASH FLOW MANAGEMENT

Cash is vital for the survival of any business and something to which the vast majority of restaurant owners do not give adequate attention.

Seasonal sales trends put strains on cash flow, leaving restaurant owners concerned about paying their staff and regular liabilities. Lack of effective cash flow management can cause the business serious risk and can ratchet up pressures for dealing with supplier payments, staff wages and tax bills promptly. It can also have a detrimental effect on stock purchasing power, causing the stock to be purchased at higher prices and reducing the owner's access to cash.

Cash flow management goes beyond cash flow forecasting. It involves understanding the underlying cash inflow and outflow figures, expenditure requirements, any cash shortfall, developing a cash flow model and the avoidance of overspending. It actively promotes optimum employment of available cash within the business.



To create cash flow certainty, you need to start by looking at granular data such as:

- Supplier relationships and credit terms
- Seasonal cash inflow trends
- Staff wages and premises payments
- Capital expenditure plans
- Tax payments deadlines
- Operational cash flow requirements
- Owner's drawing requirements
- Shortfalls between inflow and outflow and other sources of fulfilling those shortfalls

Such data should be examined at regular and clearly planned intervals to effectively and positively manage cash flow.

## **2. LACK OF OPERATIONAL CONTROLS**

The concerns of most restaurateurs include missing petty cash, cash thefts, high food wastage, and ensuring all sales are recorded in the business accounts whilst maintaining just the right level of inventory.

Restaurants run on super tight margins. Loss of cash, unknown day-to-day expenditure, unnecessary food wastage, inventory shrinkage, missing sales and ordering of excessive inventory can decrease margins significantly and can contribute to business failure.

Access to in-depth real-time information, efficient workflows and regular monitoring can help to eliminate these loss-making factors from the business. An insight into customer ordering trends, regular stock counts, petty cash and sales deposit reconciliations also help to build the internal controls in the business. Such tasks can be laborious, but digitization can help to automate and streamline these tedious tasks.

A blueprint of activities, procedures, systems and users provides greater visibility and opportunities for a restaurant/café to reduce costs and maintain controls.



### 3. INADEQUATE DIGITIZATION AND AUTOMATION

Digitization and automation are a necessity in businesses today. The importance of digitization cannot be overemphasized. Digitization is a key element of running a successful business and even more important for labour intense, dynamic businesses such as restaurants/café. Digitization has become a necessity due to the changing business dynamics due to Covid-19 and an overall shift in record keeping and accounting practices.

**“Capturing accurate and real-time restaurant data is an invaluable tool that provides cutting-edge information. It can help improve menu engineering, reduce food waste and staff costs”**

Most activities in restaurants, including data capturing and staff communications, are still manual or completed via unconnected apps. Manual completion of repetitive, operational tasks is a strain on staff time, causes inefficiency, is error-prone and often results in a lack of control. It is difficult to schedule and timely completion of tasks is problematic. The use of the right digital applications and tools which are correctly installed and integrated across the organization can help restaurants take a giant leap forward in terms of optimal



use of resources and increased profitability. Carefully selecting and integrating cloud-based applications create a single business platform to control operations and provide remote access to owners in the following functions:

- Point of Sale
- Inventory Management
- eCommerce and Bookings
- CRM
- HR management (staff scheduling, payroll communication and training)
- Digital marketing
- Financial management and planning (automating data entry, bills and cash flow management and business analyses)

It enables effective use of existing resources by increasing staff time allocated to customer interactions, serving jobs, improving customer satisfaction rates and up-selling opportunities. It also builds compliance into all restaurant processes without the additional need to allocate further resources. Digitization and automation is a valuable investment for restaurants/cafés leading to less stressful cash flow management, increased profit margins and increased capacity for business expansion.

**“The hospitality industry has the highest adoption rate of connected applications to improve their workflow and achieve efficiency. It uses 53% connected apps for clerical work, 22% for cash flow and business reporting, 4% for invoicing, 37% for staff scheduling, 3% for accounting and 20% for POS”**

Source: Xero small business insight



## 4. POOR EXPENDITURE MANAGEMENT

Expenditure management involves managing supplier relations and purchasing activities of the business. Expenditure management includes the following processes:

Identification of inventory requirements

- Supplier selection
- Control of overheads
- Purchase order and invoice management
- Supplier reconciliations
- Payments

It is vital to control expenditure to promote and improve long-term financial performance.

Poor expenditure management can affect spending budgets, lead to a loss of inventory control and cause a new array of problems such as under-ordering resulting in loss of sales, and omitting indirect costs such as delivery charges. Inadequate expenditure management can also result in over/underpayments to suppliers, late bill payments and time-consuming ordering and payment authorization processes. This usually has a negative impact on supplier relationships and can affect early payment discounts.

Use of digitized management systems for sales, inventory and budgetary controls on operational expenditure help business owners to analyze key expenditure including salaries, premises and food costs. Accounting systems such as Quickbooks Online and Xero can assist business managers to create a well-structured and robust expenditure management system with built-in controls.





## 5. COMPLEX TAX AREAS AND COMPLIANCE ISSUES

There are various tax regulations and schemes which a restaurant/ café needs to comply with correctly. The most common complex tax areas for restaurants are Sales Tax on food and catering and capital allowances on construction and refurbishment.

Sales Tax on food if not charged or calculated correctly can result in over or underpayment to tax agency which can either cause a loss of revenue for the restaurant until detected or could create Sales Tax compliance issues for the business. Therefore, identifying the correct Sales Tax treatment for each item on the menu is essential for a restaurant.

Capital allowance is a tax relief that can bring potential savings in a tax bill for a restaurant which most restaurateurs are unaware of. However, this is a very complex area and requires in-depth knowledge and expertise to claim capital allowances on fittings and construction costs. Due to its complexity, this area often gets overlooked by general accountants which can significantly affect tax-saving opportunities.

All areas of tax reliefs and savings should be explored, and a full tax diagnosis of opportunities and risk should be completed with the help of a tax advisor on an annual basis. An experienced accountancy and tax professional who specializes in the restaurant/café industry can help to claim possible tax reliefs and take full advantage of tax-saving opportunities.



# Plan of Action

If you are ready to increase your restaurant/café's profit margins, maintain a healthy cash flow, streamline and automate processes to save valuable staff time, take advantage of tax-saving schemes and reliefs, then here is a checklist to empower your restaurant's success.

- Set up a long term goal and break this down into 12- months of short term targets
- Automate HR and financial processes
- Review and identify gaps in your processes and internal controls for sales, inventory management, food waste and cash deposits
- Create a blueprint for expenditure and cash flow management
- Conduct monthly business performance reviews
- Conduct monthly business performance reviews
- Prepare a budget, cash flow forecasts and monitor performance at regular intervals
- Conduct annual tax diagnoses and Sales Tax reviews





## THE INGREDIENTS FOR RESTAURANT SUCCESS

- Positive cash flow regardless of seasonal sales trends
- Improvement in profit margins
- Actionable plans for expansion
- Access to real-time data to understand your business trends
- Strong controls on spending and cash flow
- Operational automation
- Loyal staff and happy customers







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## FAST-TRACK YOUR SUCCESS AND CALL US

Using the experience and insight of the restaurant/café industry, we can help you to improve your profit margins and create cash flow certainty to fast-track your success.

- Set up long and short-term actionable goals
- Streamline and automate tedious and labour-intensive tasks to achieve operational efficiency
- Prepare your business for a social distancing economy by implementing an adequate digital strategy to stay ahead of the competition
- Create a blueprint of your financial processes and internal controls
- Create cash flow and expenditure forecasts and management systems
- Manage your finance function and controls such as data capturing, sales trend analysis, sales reconciliation, food wastage analysis, maintain accounting records, payroll and Sales Tax
- Prepare monthly financial performance reports, cash flow and expenditure analysis
- Take care of all your statutory obligations related to accounts and taxation
- Conduct annual business and personal tax reviews

# Testimonials

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“Fortis Accounting has really become a part of our in-house team, growing with us as we have expanded rapidly over the last seven years. Consistently taking the worry out of monthly accounts, Sales Tax and Payroll freeing up senior management time and focusing on what’s important for the business. I’m particularly impressed with their forward-looking approach to financial technology, bringing us innovative systems that make our reporting more accurate and efficient and effective, whilst saving valuable time and money in the process. They are extremely reliable and flexible to suit our tight deadlines. I recommend them highly!”

**Zeeshan Vahidy, Nan And Chai Inc**

“Fortis Accounting has made a real difference to our business. Because of them, the huge burden of owning a start-up has been lifted from my shoulders. Not only have they helped streamline our accounting systems and payroll processes, but also they are always available to answer questions and to help with extra bits and pieces. I could not recommend Fortis Accounting anymore!

**Ehab Dahdouli, Co-Founder, Meet and Pie Co**

“We have been using Fortis Accounting for several years to support with payroll, bookkeeping and accounting. The team is very professional, friendly, helpful and has also introduced fantastic online tools to make our background work smooth and efficient. As a fast-growing business, the support from Fortis Accounting has enabled us to focus even more on making our customers happy. I highly recommend Fortis Accounting”

**Mehmood Yusuf, Director Dunk’n Dip**

“Maaz from Fortis Accounting has been taking care of all our accounting requirements for many years. When they took over from the previous provider, our accounts were still running on an in-house Sage server and were messy. It was on their advice that we moved all of it into Quickbooks Online and there has been no looking back ever since! They have introduced various ways of automating our processes to make the whole experience wonderful for us. Their team is very hardworking and keeps track of all our tax payments which helps with our cash flow. We are looking forward to having them as our long-term accounting partners and we have no doubt in highly recommending them to anyone!”

**Faisal Ijaz, The Nimbus Corporation**

“ I have used Fortis Accounting since the founding of my company. In a time where I understood very little of accounts, they were there to explain it to me and guide me when needed. Even now, their help is still invaluable in making sure my accounting obligations to the government are met on time, on budget and always without incident. I have trusted Fortis Accounting for many years and I can see myself doing so for another 10 years.

**Javed Shadr, Director Friends Imports Inc.**





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