

HOW TO: BOOKKEEPING & FINANCIAL MANAGEMENT FOR YOUR HOSPITALITY BUSINESS

DO YOU OWN OR RUN A HOSPITALITY BUSINESS?

Regardless of whether your hospitality business is a small café employing five people, or a large hotel with hundreds of staff on the payroll, **it's important to make sure you get your bookkeeping right.**

Accurate and efficient bookkeeping keeps you compliant with taxation laws. It also provides you with the information you need to measure how your business is going, and devise strategies for improving your profitability and efficiency.

If you own a hospitality business, then the guidelines below are a good indication of what you need to be doing to ensure you **get the most out of your business books**

WEEKLY OR MONTHLY BOOKKEEPING

Keeping your books up-to-date isn't just a statutory requirement from the ATO; it's also a **pre-requisite for successfully managing the financial side of your business.** Without updated books, you cannot track your business's performance, or generate any useful management reports, which means you'll be left running your business blind.

0-20 Employees: The more regularly you maintain your business books, the better. However, for businesses with less than 20 staff, there may not be enough bookkeeping work to justify reporting more regularly than once a month.

20+ Employees: In larger hospitality businesses, missing even one week of bookkeeping and reporting could mean that problems are not highlighted before they get out of control. If you fall into a pattern or irregular bookkeeping, the cumulative effects can have serious repercussions on your business's financial success.

QUARTERLY OR MONTHLY BAS LODGEMENT

BAS lodgement **is a legal requirement for every hospitality business.**

0-20 Employees: In smaller hospitality businesses, so long as your books are up-to-date and accurate, your quarterly BAS lodgement shouldn't take you more than 15 minutes.

20+ Employees: If you have 20+ staff in your hospitality business, it's likely that you're at the stage where your annual PAYG withholding obligation will be greater than \$25,000. If that's the case, you'll need to ensure that you lodge your BAS on a monthly basis. Once again, up-to-date and accurate books will make this task much faster.

PAYROLL, SCHEDULING, AND WORKFORCE MANAGEMENT

It's important to **ensure that your payroll is compliant** with workforce and taxation laws. This can be more complicated if you use contractors and casual staff. (It's important not to confuse the definition of "contractor" and "employee".) Be careful to ensure that your staff are paid the correct award rates, and check whether they have another job and if they are eligible to claim the tax free threshold. Always keep work cover insurances current.

20+ Employees: If your business is bigger, you may benefit from a more integrated workforce management system that manages scheduling, time sheeting, and payroll. This will allow you to process your payroll more efficiently, and help you to ensure your profit isn't negatively impacted by common problems such as overstaffing, understaffing, or having to pay overtime or other penalty rates unnecessarily.

ROLLING 12-MONTH CASH FLOW FORECASTING

A cash flow forecast is an estimate of the amount of money you expect to flow in and out of your business, including all your projected income and expenses. A rolling 12-month cash flow forecast always projects 12 months ahead, so you can **have as much foresight as possible for strategic planning**.

0-20 Employees: A cash flow forecast showing monthly monetary movements is usually appropriate for hospitality businesses with under 20 employees.

20+ Employees: In a larger business, you should have a cash flow forecast showing monetary movements on a daily basis. By monitoring daily movements, you won't hit any unforeseen cash flow shortages during the middle of a month – shortages that you would have been unprepared for were you measuring monthly movements, as cash inflows later in the month would balance everything out.

BUDGETING AND VARIANCE ANALYSIS

Your budget is a forecast of your income and expenditure. A variance analysis highlights discrepancies between your forecasts, and your actual income and expenditure. This allows you to **identify and address the cause of problematic discrepancies** so you can prevent them from occurring again.

0-20 Employees: In a smaller hospitality business, a monthly variance analysis is usually sufficient to manage your business's finances.

20+ Employees: If your hospitality business is larger, it's better to conduct weekly variance analyses. Because your turnover is likely quite high, any discrepancy between your budget and actual income and expenditure can add up – and become problematic – quickly. By conducting weekly variance analyses, you can identify discrepancies and address the causes ASAP.

SALES ANALYSIS AND INVENTORY MANAGEMENT

Sales analysis and inventory management allows you to **gain a reasonable idea of what stock levels you need week to week**. Overstocking can negatively impact your cash flow, while understocking can affect your sales and has the potential to harm your business's reputation. That's why it's important to tread the middle ground.

In a hospitality business such as a restaurant, sales analysis and inventory management also helps you to understand which dishes and drinks are popular, and which are not. You can then measure the profitability of each line of product.

0-20 Employees: Monthly sales analysis and inventory management is usually appropriate if your hospitality business is smaller.

20+ Employees: If your hospitality business is larger, you'll also have larger volumes of inventory, and these will move and change more quickly. It's therefore important to use weekly sales analysis inventory management.

RATIO ANALYSIS

Hospitality businesses of all sizes benefit from ratio analyses. For new, smaller businesses, ratio analysis can sometime be even more useful than a budget, as accurately forecasting forward can be difficult.

Ratio analysis involves using industry-benchmarking data to **analyse your business's health and performance**. For example, benchmarking data suggests that the cost of goods sold at a restaurant, such as ingredients and alcohol, should be equivalent to 35% of your business's revenue. In a motel, employee salaries and wages should equal between 15% and 17.5% of your revenue.

By analysing your business's financial ratios, you can identify areas within your business that are affecting your profitability and cash flow, and take action to improve them.

IMPLEMENTING EFFICIENCIES

Some bookkeeping tasks can be completely automated, saving you time and money, and ensuring that your data is up-to-date and accurate. Automated tasks include preparing ABA files to upload to your bank so you don't have to pay your suppliers individually, and setting up secure bank feeds so you don't have to manually enter transactions from your bank accounts.

EXPERT ASSISTANCE

If you would like assistance with advancing the financial management of your hospitality business, EzyAccounts can help.

Our local bookkeepers are all highly-trained and qualified, and have the necessary experience to help you get the most out of your business books. **To learn more, call us today on 1300 313 397**

