Actual G.P.% & Theoretical G.P.%

Your G.P.% is the percentage of the money you take after your have taken away the cost of the product you bought, *before* you take off other costs such as wages, electric, rent etc.

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Glossary

In stocktake reports you will see “Actual G.P.% and “Theoretical G.P.%”
So, what is the difference. First, lets look at how to calculate a G.P.%

$$\frac{\text{NET Profit}}{\text{NET Selling price}} \times 100$$

NET Profit = *(Selling price minus vat) - (Cost of product minus VAT)*

NET Selling price = *Selling price minus vat*

Bar Stock Report

Code	Description	Size	Cost	Price	Open Stock	Purch /Cred	Trans in	Closing Stock	Sales	Sales at Cost	Sales at Retail	GP %	Stock at Cost	Days Stock
12100	Bloom Gin	70cl	21.49	3.40	0.10	1.00		1.05	0.05	1.07	4.76	72.79	22.56	265

Work out your NET profit:
£21.49 / 28 measure in the bottle = ***£0.77*** *per measure is your NET cost.*
£3.40 /1.2 (to remove the 20% VAT) = ***£2.83*** *is your NET selling price.*

So

$$\frac{(£2.83 - £0.77 = £2.06)}{£2.83} \times 100 = 72.79\%\ \text{G.P.}$$

That is how you can work out the G.P.% on a product, but you can do it for all sales too using information from your accounts. Let’s look at an example to calculate overall Wet G.P.%

Profit and Loss (Monthly Breakdown)

Sales	
Wet Sales	15,540.96
Food Sales	340.83
	15,881.79
Purchases	
Wet Purchases	7,762.71
Food Purchases	181.12
	7,943.83

$$\frac{(£15,540.96 - £7,762.71 = £7,778.25)}{£15,540.96} \times 100 = 50.05\%$$

What is ‘Actual’ and ‘Theoretical’ G.P.%?

We have looked at how to work out your G.P.%

‘Theoretical’ G.P.% is based on an ideal world. If you always buy at £X and sell all that product at full price, then you will achieve a certain G.P.%

‘Actual’ G.P.% is based on what *actually* happened. You may have had a special offer reducing the overall amount made on that product, you may have wasted some etc. Those real-life alterations in stock performance are reflected in the **‘Actual G.P.%’**

Stock Deficit and Surplus

You know that a stock deficit means that there is a discrepancy with you having less stock onsite than expected, and surplus is to have more than expected. Let's look at the mechanics of this this is worked about and what affects a deficit or surplus.

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Till Variance by Product

Code	Description	Size	Unit	UOM	Cost	Av. Price	Open	Purch	Credit	Trans	Close	Wastage	Stock Cons	Till Consumption		Variance	
														Product	Recipe	Qty	Retail
12100	Wainwrights	Gall	Pint	8	1.38	4.11	216	720	0	0	120	44	772	740.5	0	-31.5	-129.32

A.	**Code**	Your till/epos reference	**G.**	**Av. Price**	Average selling price of a 'Unit'	**M.**	**Wastage**	Units recorded as unsold
B.	**Description**	Product name	**H.**	**Open**	Total units counted last period	**N.**	**Stock Cons**	Units consumed
C.	**Size**	Stock count unit (in this case, gallons)	**I.**	**Purch**	Total units delivered in	**O.**	**Consumed Product)**	Units sold according to till data
D.	**Unit**	Standard serving measure	**J.**	**Credit**	Any credit notes to apply	**P.**	**Consumed Recipe)**	Units consumed as part of another drink (e.g., cocktail)
E.	**UOM**	Unit of measurement (the number of 'Units' in the 'Size'	**K.**	**Trans**	Any stock transferred to another site or department (e.g., Kitchen).	**Q.**	**Variance (Qty)**	Difference between theoretical consumption and actual
F.	**Cost**	Wholesale cost price per serving unit	**L.**	**Close**	Total units counted today	**R.**	**Variance (Retail)**	Cost of the loss or gain (amount sold for)

All these numbers are important, but the ones we will focus on are those that refer to the deficit/surplus so we can understand how it is worked out.

Variance (Qty): How is that worked out?

Open count (216) **+ stock purchased since** (720) **− Any credits** (0) **= 936**

This will show you what you would have if you had consumed nothing. So, now to calculate what has been consumed/sold.

Transferred out (0) **+ Wasted** (44) **+ Close count** (120) **=164**

This tells us that stock no longer onsite is **= 772 units** (Stock Consumption)

But the till says only **740.5** units were sold … therefore we are missing **31.5 units**

Deficit

Now we know how a deficit is calculated, why does a deficit occur?
There are a range of reasons,

- Is wastage being recorded?
- Is there a missing credit note for undelivered stock?
- Has theft occurred?
- Is the till recording correctly?
- Has there been a mis-count or hiding stock?

Surplus

- A surplus can indicate a positive stock performance, but an unrealistic surplus can also indicate problems. The beer fairies are unlikely to have given you some magic freebies, so why a surplus?
- Missing delivery info (the system doesn't know that it came in)?
- Mis-count, or stock counted more than once?
- Are the tills recording consumption correctly?
- More delivered than stated on paperwork

Allowances

Allowances are essentially items known to be unsold and recorded as such.
These can be factored into your stocktake result making it more accurate.
Allowances will affect your yield, as anything unsold would, but recording of the allowances is irrelevant in the yield calculations. If it is not sold, whether it has been recorded or not is irrelevant, it is unsold and drags yield down. Recorded allowances will affect your deficit though, in recording what you know to be lost, any deficit left is clearly an unknown loss and in need of investigation.

Yield

Knowing your Yield % is vital to understanding the performance of your stock.
Here, we'll look at what it is, how it is calculated and how it fits into the context of your business.

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Essentially, your Yield refers to the percentage of what you buy, that is then successfully sold. Let's look at a keg of lager as an example, but this is the same for all products.

- If you sell every single pint from this keg (88 pints) then you achieve a yield of 100%
- But you are serving the pint with a head, of 5% say, this means the potential you can get is 105% from selling each pint.
- In real life though you won't be able to sell every pint from every keg.

The calculation would work like this:

You may lose some stock:

Minus 1 Pint: Line cleaning
Minus 2 Pints: Mis-pour
Minus 2 Pints: Staff drinks
Minus 1 Pint: Drip trays
Total loss = 6 pints

So, out of the keg's 88 pints, you actually sold 82 pints
This means instead of **100%**, you achieve a yield of **93%** *(82/88)*100*

*If you still add a 5% head on each pint you sold though, then you would achieve a yield of **98%** calculated like this:*
*82+5%=86 so, (86/88)*100=**98%***

The ideal scenario is that the natural surplus on draught yield should cancel out the natural losses leading to a yield of 100% or more.

What affects your yield?

Knowing your Yield % is good, knowing why it is what it is, well, that's better.
So, what is a good yield, and how can you improve it?

Yield is heavily affected by waste. The more you don't sell, the lower your yield.
Your yield is based on how much you sell from what you buy.
Whether or not waste is recorded, that won't change your yield *but* what it will do is to show you why your yield is as it is, and allow you to make changes such as improving staff training to reduce drip tray waste, cutting down staff drinks, asking the kitchen to use less expensive products in dishes etc.

You should be aware that some products have a naturally lower yield than others. Cask beer for example. The nature of the products means that more is wasted through being mixed with sediment, lines cleaned more frequently, pour-off if none has been sold for a while that day, customer samples etc.

Your stocktaker should be able to go through your yields with you so you know what the situation is and how you can improve your yield, and in doing so, improve profits.