

Steps for Accurate Cost of Goods Sold

Review AP Data Entry

The key to accurate Inventory Valuations comes long before you actually count your physical inventory. The amount used for the valuation of each Restaurant Inventory Item in Compeat comes from Posted AP Invoices.

Best Practice

Before managers Complete each Batch of AP Invoices they should run the Receiving by Inventory Item Report in Reports > Inventory Activity.

When selecting a date range, keep this fairly open. The larger the date range the more invoices will be included and a clearer pattern will emerge. A report filter screen should look similar to the image below to return the best results.

The screenshot shows the 'Receiving by Inventory Item' report configuration interface. At the top, there are navigation buttons for 'Print', 'Preview', 'Setup', and 'Export to Excel'. The main area is titled 'Report Options' and contains several sections:

- Apply Date Range:** A red box highlights the 'From' date set to 12/01/2014 and the 'To' date set to 1/26/2015.
- Inventory Levels:** Three levels are defined: Level 1 is 'Beer' (checked for 'Group'), Level 2 is empty, and Level 3 is empty.
- Entities:** 'Entity #' is set to 2, 'Concept' and 'Region' are empty.
- Vendor:** 'Vendor' and 'Vendor Group' are empty.
- Display:** 'Detail by Item #' is selected.
- Sort By:** 'Doc Date' is selected.
- Filter By:** 'Apply Date' is selected.
- Data to Include:** A red box highlights this section, which includes checked boxes for 'AP Invoices', 'Manual Checks', 'Portion Cuts', 'Inventory Transfers', 'Commissary Shipments', and 'Unposted Vouchers'.

Below is an excerpt from this report. The amounts indicated are Amount Each prices. The results of this report should be a red flag. Why did the price of a keg jump from \$110 to \$142? Was the cost of the Keg Deposit included on some invoices and not others? We then recommend the manager research these invoices to ensure the data entered is correct.

BEER DFT Deschutes Chainbreak	1367 244707	CAPITOL WRIGHT DISTRIBUTING (FINTECH)	01/02/2015	Keg=1/keg 13.2 gal	1.00	110.00	110.00
	w1553722		01/08/2015	Keg=1/keg 13.2 gal	1.00	142.00	142.00
	w1557440		01/12/2015	Keg=1/keg 13.2 gal	1.00	142.00	142.00
Totals for BEER DFT Deschutes Chainbreak					3.00	\$131.33	\$394.00


Once this report is reviewed for all appropriate Inventory Levels the manager can then Complete the AP Batch. At this point these batches should be reviewed by a User with Posting Authority, and this or some other review process can be performed.

All AP Batches need to be Posted before Valuation Counts can be Posted in order to ensure the most up-to-date pricing.

Review Valuation Count Data Entry

The next key step to ensuring accurate Cost of Goods Sold comes in reviewing the physical counts for accuracy, both in terms of quantity and pricing.

Best Practice

Before Managers Complete their Valuation Counts they should review the Inventory Count Variance (ICV) Report in Reports  Inventory Activity.

The date range is determined by the frequency of Valuation Counts. The date range should be the full current financial period. Generally this is either a 7-day period, a 4-week period or a calendar month depending on your company operations. Variance \$ (Descending) is also the recommended Sort By option. This will show any products with growth (in terms of dollars) at the top of the report and the products with the highest usage (in terms of dollars) at the bottom of the report. A report filter screen should look similar to the image below to return the best results.

Below is an excerpt from the top of this report. The amounts indicated are Actual Usage (Beginning Inventory + Purchases – Actual Ending inventory). Any negative value for Actual Usage indicates an error of some kind. How did you grow product? Common mistakes are incorrect Beginning Inventory (cannot be corrected), missing or incorrect Receiving (can still be corrected) or incorrect Ending Inventory (can still be corrected). You can drill down into any of these values to further research a number.

Item Description	Inventory UOM	Beg Inv	Receiving	+Prod	+/- Xfers	-Waste	Theo Usage	Theo End Inv	Actual End Inv	Actual Usage	Variance	Var
Beer												
BEER DFT Thirsty Planet S 1535	keg (15.5g)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.90	-1.90	1.90	
BEER DFT Sierra Nevada 1077	keg (15.5g)	0.00	1.00	0.00	0.00	0.00	0.00	1.00	1.60	-0.60	0.60	
BEER BTL Shocktop 1084	Each	13.00	24.00	0.00	0.00	0.00	0.00	37.00	53.00	-16.00	16.00	
BIB Ginger Ale 1235	Each	0.50	0.00	0.00	0.00	0.00	0.00	0.50	0.60	-0.10	0.10	
CORDIAL Vermouth Sweet 499	1 Litre	\$39.00	0.00	0.00	0.00	0.00	0.00	\$39.00	\$46.80	-\$7.80	\$7.80	
BEER BTL Rolling Rock 1199	Each	18.00	0.00	0.00	0.00	0.00	0.00	18.00	21.00	-3.00	3.00	

Below is an excerpt from the bottom portion of this report. The amounts indicated are Actual Usage (far right) and Theoretical Usage (left). As you can see this particular customer is only live with Actual Inventory, not Theoretical Inventory. This means they do not have Menu Item recipes that are linked to POS Codes in order to poll in Theoretical Usage. When a customer is live with Theoretical Inventory as well as Actual inventory you can simply look at the Variance between Actual and Theoretical Usage to research potential problems. In this situation the customer would have to run the ICV report for two consecutive weeks and compare the Actual Usages of each items to determine what seems reasonable.

BEER BTL Miller Lite	Each	181.00	466.00	0.00	0.00	0.00	0.00	637.00	238.00	-399.00	-399.00
96		\$153.10	\$386.70	0	\$0.00	0	0	\$538.80	\$201.31	\$337.49	-\$337.49
BEER DFT ShinerBock	keg (15.5g)	3.10	3.00	0.00	0.00	0.00	0.00	6.10	2.80	3.30	-3.30
620		\$331.70	\$321.00	0	\$0.00	0	0	\$652.70	\$299.80	\$353.10	-\$353.10
BEER DFT Dos Equis	keg (15.5g)	3.60	3.00	0.00	0.00	0.00	0.00	6.60	3.20	3.30	-3.30
618		\$366.00	\$330.00	0	\$0.00	0	0	\$716.00	\$362.00	\$363.00	-\$363.00
BEER DFT Pearl Snap	keg 50L(13.2g)	0.80	8.00	0.00	0.00	0.00	0.00	8.80	3.00	2.80	-2.80
1195		\$108.00	\$675.00	0	\$0.00	0	0	\$783.00	\$405.00	\$378.00	-\$378.00
BEER DFT 512 IPA	keg (15.5g)	1.30	4.00	0.00	0.00	0.00	0.00	6.30	2.10	3.20	-3.20
594		\$175.50	\$640.00	0	\$0.00	0	0	\$716.50	\$283.50	\$432.00	-\$432.00

Make Necessary Corrections

Once both of these reports are thoroughly reviewed a manager may have a list of corrections to make. After these corrections are made, and only then, can a manager Post Valuation Counts. Some common corrections are listed below:

- Correct the Value of a Restaurant Inventory Item after AP has been Posted o Inventory Adjustments
- Adjust Posted Vouchers
- Correct a Valuation Count
- Find and enter missing AP Invoices