



Important Financial Ratios for Restaurants

I am sure you have heard it over and over again, but having a great set of financial statements (balance sheet, income statement and statement of cash flows) provides you the opportunity to know the financial health of your business. Knowing the financial health of your business in a timely (within days for weekly income statements and within a week for a set of month end financials) manner is one major key to success.

I am going to provide you some key ratios (all measured as a percentage of sales) to consider when reviewing your financial statements, specifically your weekly and monthly income statements.

- Food costs – 32% or less of food sales
 - Fine dining establishments will be more than 32% and could be as high as 40%
- Liquor costs – 20% or less of liquor sales
- Bottled beer costs – 28% or less of bottled beer sales
- Draft beer costs – 18% or less of draft beer sales
- Wine costs – 40% or less of wine sales
- Non-alcoholic beverage costs – 15% or less of non-alcoholic beverage sales
- Labor costs
 - Wages (servers and administrative)
 - Full service restaurants – 20% or less
 - Quick service restaurants – 17% or less
 - Management salaries – 10% or less
 - Employee benefits
 - Full service restaurant – 6% or less
 - Quick service restaurants – 5% or less
- Prime cost equal total food and beverage cost and labor costs
 - Full service restaurants – 65% or less
 - Quick service restaurants – 60% or less
- Controllable expenses – 18% or less
- Non-controllable expenses – 12% or less
- Occupancy costs – 10% or less
 - Rent costs – 6% or less
- Net income before taxes
 - Full service restaurants – 6 to 8%
 - Quick service restaurants – 8 to 10%

The above percentages are industry standards, so keep this in mind when comparing these ratios to your restaurant. The ratios can be affected by various factors including the type of restaurant, location of the restaurant, management of restaurant, labor cost and occupancy cost in a certain area or city and food cost in a certain area or city.

If you need assistance in analyzing your restaurants financial statements, do not hesitate to call one of our restaurant professionals for assistance.