

# 7 Accounting Metrics Every Restaurant Owner Must Track

Gaining insights into key financial performance metrics is crucial for any restaurant owner. By carefully tracking and analyzing these metrics, you can identify areas for improvement, optimize operations, and ultimately drive profitability.



# Cost of Goods Sold (COGS)

The direct cost of ingredients used to create your menu items.

This includes raw materials, food packaging, and other consumables.



# Prime Cost

1

## COGS

The cost of goods sold.

2

## Labor Cost

The cost of wages, salaries, and benefits for employees.

# Food Cost Percentage

**0.33**

**Example**

Food cost is 33% of revenue.



# Labor Cost Percentage

## Formula

$$\frac{\text{Labor Cost}}{\text{Total Revenue}} \times 100$$

## Industry Average

25%-35%





# Gross Profit Margin

1

**Gross Profit**

Revenue - COGS

2

**Gross Profit Margin**

Gross Profit / Total Revenue \* 100

3

**Industry Average**

60%-70%



# Net Profit Margin

Net Profit Margin is the ultimate measure of your restaurant's profitability, showing how much of each sales dollar translates into actual profit after all expenses are paid.



## Formula

$\text{Net Profit} / \text{Total Revenue} * 100$

A healthy restaurant typically aims for a net profit margin of 3-5%. This metric helps you understand your overall financial health and ability to sustain growth.

Track this monthly to identify seasonal patterns and ensure your pricing strategy and cost controls are effectively maintaining profitability.

# Inventory Turnover Ratio





# Cash Flow

1

## Operating Cash Flow

Day-to-day business activities.

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2

## Investing Cash Flow

Purchases and sales of assets.

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3

## Financing Cash Flow

Borrowing, repaying debt, issuing equity.



## Contact TMD Accounting

Take control of your restaurant's financial future with TMD Accounting. Our expert team specializes in restaurant accounting and brings over two decades of industry experience to help optimize your operations, reduce costs, and boost profitability. Ready to transform your restaurant's financial performance? Contact us today at 1-856-228-2205 for a complimentary consultation.