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OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT RESTAURANTS

1959

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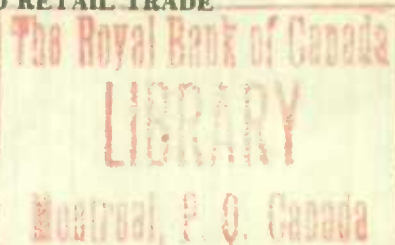
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PUBLICATIONS RELATING TO RETAIL TRADE



Catalogue number	Title	Price
	(a) Weekly	
63-003	Percentage Change in Department Store Sales	per year \$2.00
	(b) Monthly	
63-001	Chain Store Sales and Stocks	per year 1.00
63-002	Department Store Sales and Stocks	per year 1.00
63-004	Percentage Change in Department Store Sales (Preliminary)	per year 1.00
63-005	Retail Trade	per year 3.00
63-007	New Motor Vehicle Sales and Motor Vehicle Financing	per year 1.00
61-004	Credit Statistics	per year 1.00
	(c) Quarterly	
63-006	Retail Credit	per year 2.00
63-009	Farm Implement and Equipment Sales	per year 1.00
	(d) Annual	
63-203	Farm Implement and Equipment Sales50
63-208	New Motor Vehicle Sales and Motor Vehicle Financing50
63-209	Retail Trade (including Shopping Centres)50
63-210	Retail Chain Stores50
63-211	Sales Financing25
	(e) Biennial	
63-401	Operating Results of Chain Clothing Stores50
63-402	Operating Results of Chain Drug Stores25
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63-405	Operating Results of Chain Variety Stores25
63-406	Operating Results and Financial Structure of Independent Retail Clothing Stores75
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63-413	Operating Results and Financial Structure of Independent Jewellery Stores50
63-414	Operating Results and Financial Structure of Independent Restaurants50
63-415	Operating Results and Financial Structure of Independent Tobacco Stores50

Other occasional reports and 1951 Census reports on retail trade are shown in a complete list of publications of the Dominion Bureau of Statistics which is available on request from the Information Services Division, D.B.S., or from the Queen's Printer, Ottawa.

JAN 7 1961

OPERATING RESULTS AND FINANCIAL STRUCTURE INDEPENDENT RESTAURANTS 1959

This report is a continuation of the practice to publish a biennial series of publications on the operating results and financial structure of selected trades, primarily as a guide for retailers. The averages and ratios that are shown can be used as a standard against which businessmen can compare their own operating experience. The pattern of these ratios are compiled by sales-size ranges and in the case of balance sheet averages, by age of business whenever possible. Such a stratification permits more direct analysis of the operating results by users. It should be borne in mind, however, that these ratios and averages do not represent top performance guides. They are the "average" of a broad range of operational efficiencies.

While this report is similar to the previous operating results reports issued for these trades, some slight modifications in the presentation have been made. The historical series on profit and loss ratios show results from 1952 rather than just for two years; detailed expense ratios are also shown for "total, all sizes" where formerly they were shown for only the separate sales-size categories. These "total-trade" ratios are the result of applying a weighting pattern to the individual size group results. The weights derived from the 1951 Census for each size group were applied to the results of each respective group to arrive at total trade ratios in which the results of each size and occupancy component are properly represented. The averages shown for balance sheet items have not been weighted and therefore represent the averages obtained by adding together the reporting panel of firms in each cell.

Profit and loss as well as balance sheet definitions are shown on the last pages of this report.

The following is a list of the lands owned by the United States in the State of California, as of the 1st day of January, 1896.

The lands are classified as follows: (1) Lands reserved for the use of the United States; (2) Lands reserved for the use of the States; (3) Lands reserved for the use of the Indians; (4) Lands reserved for the use of the military; (5) Lands reserved for the use of the navy; (6) Lands reserved for the use of the public; (7) Lands reserved for the use of the private.

The following is a list of the lands owned by the United States in the State of California, as of the 1st day of January, 1896.

Section	Tract	Acres	Value
1	Tract No. 1	100	\$100.00
2	Tract No. 2	200	\$200.00
3	Tract No. 3	300	\$300.00
4	Tract No. 4	400	\$400.00
5	Tract No. 5	500	\$500.00
6	Tract No. 6	600	\$600.00
7	Tract No. 7	700	\$700.00
8	Tract No. 8	800	\$800.00
9	Tract No. 9	900	\$900.00
10	Tract No. 10	1000	\$1000.00
11	Tract No. 11	1100	\$1100.00
12	Tract No. 12	1200	\$1200.00
13	Tract No. 13	1300	\$1300.00
14	Tract No. 14	1400	\$1400.00
15	Tract No. 15	1500	\$1500.00
16	Tract No. 16	1600	\$1600.00
17	Tract No. 17	1700	\$1700.00
18	Tract No. 18	1800	\$1800.00
19	Tract No. 19	1900	\$1900.00
20	Tract No. 20	2000	\$2000.00
21	Tract No. 21	2100	\$2100.00
22	Tract No. 22	2200	\$2200.00
23	Tract No. 23	2300	\$2300.00
24	Tract No. 24	2400	\$2400.00
25	Tract No. 25	2500	\$2500.00
26	Tract No. 26	2600	\$2600.00
27	Tract No. 27	2700	\$2700.00
28	Tract No. 28	2800	\$2800.00
29	Tract No. 29	2900	\$2900.00
30	Tract No. 30	3000	\$3000.00
31	Tract No. 31	3100	\$3100.00
32	Tract No. 32	3200	\$3200.00
33	Tract No. 33	3300	\$3300.00
34	Tract No. 34	3400	\$3400.00
35	Tract No. 35	3500	\$3500.00
36	Tract No. 36	3600	\$3600.00
37	Tract No. 37	3700	\$3700.00
38	Tract No. 38	3800	\$3800.00
39	Tract No. 39	3900	\$3900.00
40	Tract No. 40	4000	\$4000.00
41	Tract No. 41	4100	\$4100.00
42	Tract No. 42	4200	\$4200.00
43	Tract No. 43	4300	\$4300.00
44	Tract No. 44	4400	\$4400.00
45	Tract No. 45	4500	\$4500.00
46	Tract No. 46	4600	\$4600.00
47	Tract No. 47	4700	\$4700.00
48	Tract No. 48	4800	\$4800.00
49	Tract No. 49	4900	\$4900.00
50	Tract No. 50	5000	\$5000.00

Section	Tract	Acres	Value
51	Tract No. 51	5100	\$5100.00
52	Tract No. 52	5200	\$5200.00
53	Tract No. 53	5300	\$5300.00
54	Tract No. 54	5400	\$5400.00
55	Tract No. 55	5500	\$5500.00
56	Tract No. 56	5600	\$5600.00
57	Tract No. 57	5700	\$5700.00
58	Tract No. 58	5800	\$5800.00
59	Tract No. 59	5900	\$5900.00
60	Tract No. 60	6000	\$6000.00
61	Tract No. 61	6100	\$6100.00
62	Tract No. 62	6200	\$6200.00
63	Tract No. 63	6300	\$6300.00
64	Tract No. 64	6400	\$6400.00
65	Tract No. 65	6500	\$6500.00
66	Tract No. 66	6600	\$6600.00
67	Tract No. 67	6700	\$6700.00
68	Tract No. 68	6800	\$6800.00
69	Tract No. 69	6900	\$6900.00
70	Tract No. 70	7000	\$7000.00
71	Tract No. 71	7100	\$7100.00
72	Tract No. 72	7200	\$7200.00
73	Tract No. 73	7300	\$7300.00
74	Tract No. 74	7400	\$7400.00
75	Tract No. 75	7500	\$7500.00
76	Tract No. 76	7600	\$7600.00
77	Tract No. 77	7700	\$7700.00
78	Tract No. 78	7800	\$7800.00
79	Tract No. 79	7900	\$7900.00
80	Tract No. 80	8000	\$8000.00

INDEPENDENT RESTAURANTS

Establishments known as restaurants, cafes, cafeterias, tea rooms, etc. are included in this classification if at least 75% of total receipts are derived from the sale of meals. Other items sold include tobacco, candy, etc.

This study covers unincorporated business and shows ratios and averages for profit and loss as well as balance sheet items. These are presented by sales-size categories and where possible balance sheet information is further divided to show results on the basis of number of years in business. Because of the difference in occupancy expense,

results are shown for businesses operating from owned premises separately from those in rented premises.

Occupancy expense in 1959, at 11.18 per cent of net sales, was somewhat higher than in 1956 and more than offset a slight decline in the ratio of salaries paid. Higher total operating expenses, coupled with a lower ratio of gross profit in 1959 resulted in a reduction of net operating profit before deduction of proprietors' salaries and income tax from 8.63 per cent of net sales in 1956 to 7.86 per cent in 1959.

TABLE 1. Independent Restaurants (Unincorporated) — Operating Results for 1952-59

Item	1952	1954	1956	1959
	per cent of net sales			
Gross profit	36.54	37.69	40.77	40.23
Operating expenses:				
Employees' salaries.....	15.40	16.17	16.98	16.89
Occupancy	8.92	10.33	10.99	11.18
Office and store supplies	0.87	0.92	1.00	1.01
Advertising	0.35	0.33	0.38	0.47
All other expenses	2.40	2.42	2.79	2.82
Total operating expenses	27.94	30.17	32.14	32.37
Net operating profit before deduction of proprietors' salaries and income tax and addition of net non-trading income	8.60	7.52	8.63	7.86

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent establishments.

TABLE 2. Independent Restaurants (Unincorporated) — Balance Sheet Ratios as at December 31, 1952-59

Item	1952	1954	1956	1959
Current ratio — Owned	1.43	1.41	1.10	1.55
Rented	1.31	1.50	1.01	1.37
Liquidity ratio — Owned	0.86	0.75	0.63	1.00
Rented	0.75	0.91	0.65	0.96
Working capital to net worth ratio — Owned	0.09	0.07	0.19	0.09
Rented	0.12	0.14	0.04	0.12
Worth debt ratio — Owned	1.83	1.31	1.83	2.08
Rented	2.02	1.99	1.31	1.78
Turnover of total capital employed — Owned	2.77	2.46	2.37	2.18
Rented	5.75	5.39	4.56	4.95

Note: See page 9 for definitions.

TABLE 3. Independent Restaurants (Unincorporated) — Operating Results, by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned establishments with annual net sales of				Rented establishments with annual net sales of				Total ¹
	\$10,000-19,999	\$20,000-49,999	\$50,000-99,999	\$100,000 and over	\$10,000-19,999	\$20,000-49,999	\$50,000-99,999	\$100,000 and over	
Number of establishments reporting	15	16	17	14	12	51	36	20	186
Average net sales per establishment \$	16,002	33,598	70,853	133,878	14,725	35,043	72,219	141,767	60,440
Average beginning inventory \$	940	1,163	2,594	4,055	410	657	1,765	2,237	1,504
Average inventory, end of year \$	926	1,257	2,246	3,785	404	653	1,584	2,522	1,471
Average cost of goods sold \$	11,480	22,891	42,080	72,453	8,859	21,053	41,566	74,831	34,807
Stock turnover (times per year)	12.30	18.92	17.38	18.48	21.77	32.14	24.83	31.45	23.39
Profit and loss data (Per cent of net sales)									
Gross profit	28.26	36.14	40.61	45.88	39.84	39.92	42.44	47.22	40.23
Operating expenses:									
Employees' salaries and wages	6.10	15.38	20.62	22.20	8.19	16.17	19.79	22.36	16.89
Occupancy expenses:									
Taxes	2.38	1.29	1.32	1.11	0.86	0.54	0.44	0.82	0.94
Insurance	0.97	0.81	0.48	0.60	0.49	0.33	0.43	0.54	0.53
Rent	—	—	—	—	9.75	4.85	3.75	3.50	2.92
Light, heat and power	4.11	3.45	2.78	2.87	3.91	3.30	2.45	2.47	3.10
Repairs and maintenance	1.34	1.50	1.14	1.71	1.24	1.08	1.14	1.73	1.31
Depreciation allowances	2.07	2.78	3.08	3.08	2.62	1.44	2.18	3.13	2.38
Total occupancy expenses	10.87	9.83	8.80	9.37	18.87	11.54	10.39	12.19	11.18
Office and store supplies	0.71	0.97	0.58	1.50	0.63	1.04	1.09	1.52	1.01
Advertising	0.20	0.43	0.36	1.58	0.05	0.40	0.47	0.64	0.47
All other expenses	1.63	2.62	3.38	5.13	3.24	2.52	2.47	3.08	2.82
Total operating expenses	19.51	29.23	33.74	39.78	30.98	31.67	34.21	39.79	32.37
Net operating profit	8.75	6.91	6.87	6.10	8.86	8.25	8.23	7.43	7.86
Non-trading income	1.18	0.88	0.88	0.77	0.01	0.60	0.46	0.07	0.60
Non-trading expense	—	0.01	0.07	—	—	0.06	0.20	—	0.06
Net profit before deduction of proprietors' salaries and income tax	9.93	7.78	7.68	6.87	8.87	8.79	8.49	7.50	8.40

¹ Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent establishments.

TABLE 4. Independent Restaurants (Unincorporated) – Financial Structure of Owned Establishments by Size of Business as at December 31, 1959

Item	Establishments with annual net sales of			Total all sizes \$20,000 and over
	\$20,000-49,999	\$50,000-99,999	\$100,000 and over	
	average per restaurant (dollars)			
Assets				
Current assets:				
Cash on hand and in bank	3,321	3,655	3,637	3,548
Accounts and notes receivable (net)	65	9	686	263
Merchandise inventory	1,126	2,270	3,785	2,457
Other current assets	1,547	28	518	655
Total current assets	6,059	5,962	8,626	6,923
Fixed assets (net):				
Used in the business	13,021	24,646	50,352	30,156
Not used in the business	638	1,991	4,359	2,414
Total fixed assets (net)	13,659	26,637	54,711	32,570
Other assets:				
Long term investments	342	50	22	127
Other assets	336	563	3,909	1,666
Total other assets	678	613	3,931	1,793
Total assets	20,396	33,212	67,268	41,286
Liabilities				
Current liabilities:				
Accounts and notes payable	976	3,312	8,580	4,455
Fixed liabilities:				
Mortgages on fixed assets used in the business	2,893	5,569	12,059	7,038
Mortgages on fixed assets not used in the business	—	238	—	83
Total fixed liabilities	2,893	5,807	12,059	7,121
Other liabilities	55	1,654	3,486	1,815
Total liabilities	3,924	10,773	24,125	13,391
Net worth: Proprietors' or partners' equity in the business	16,472	22,439	43,143	27,895
Total liabilities and net worth	20,396	33,212	67,268	41,286
Average net sales of establishments reporting	39,783	73,508	133,878	84,520

TABLE 5. Independent Restaurants (Unincorporated) — Financial Structure of Rented Establishments, by Size and Age of Business as at December 31, 1959

Item	Establishments with annual net sales of							Total all sizes \$20,000 and over
	\$20,000 - 49,999			\$50,000 - 99,999			\$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
	average per restaurant (dollars)							
Assets								
Current assets:								
Cash on hand and in bank	1,083	1,051	1,068	1,819	2,798	2,339	5,224	2,344
Accounts and notes receivable (net).....	5	—	3	466	—	219	1,125	299
Merchandise inventory	692	719	705	1,655	1,397	1,518	2,456	1,348
Other current assets	244	741	478	968	176	547	637	535
Total current assets	2,024	2,511	2,254	4,908	4,371	4,623	9,442	4,526
Fixed assets (net):								
Used in the business	4,399	3,400	3,927	6,672	6,222	6,433	19,395	7,828
Not used in the business	639	2,636	1,582	1,034	5,392	3,349	—	1,954
Total fixed assets (net)	5,038	6,036	5,509	7,706	11,614	9,782	19,395	9,782
Other assets:								
Long term investments	147	62	107	—	163	87	—	79
Other assets	901	647	781	1,300	1,276	1,287	4,867	1,752
Total other assets	1,048	709	888	1,300	1,439	1,374	4,867	1,851
Total assets	8,110	9,256	8,651	13,914	17,424	15,779	33,704	16,139
Liabilities								
Current liabilities:								
Accounts and notes payable.....	1,074	860	973	3,732	3,284	3,494	8,155	3,302
Fixed liabilities:								
Mortgages on fixed assets used in the business.....	734	—	388	1,114	119	586	—	389
Mortgages on fixed assets not used in the business	399	—	210	—	1,151	611	—	323
Total fixed liabilities	1,133	—	598	1,114	1,270	1,197	—	712
Other liabilities	486	2,216	1,303	280	844	580	5,338	1,796
Total liabilities	2,693	3,076	2,874	5,126	5,398	5,271	13,493	5,810
Net worth: Proprietors' or partners' equity in the business ..	5,417	6,180	5,777	8,788	12,026	10,508	20,211	10,329
Total liabilities and net worth	8,110	9,256	8,651	13,914	17,424	15,779	33,704	16,139
Average net sales of establishments reporting	33,414	37,496	35,341	74,761	69,685	72,064	142,702	69,721

DEFINITIONS

PROFIT AND LOSS

Items

Net sales — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit — the difference between "cost of goods sold" and "net sales".

Operating expenses — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

Taxes — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance — annual proportion of premiums for insurance policies carried to protect the business.

Rent — payments for use of business premises.

Heat, light and power — cost applicable to year's operations.

Repairs and maintenance — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Store supplies — wrapping paper, office supplies, etc.

Advertising — displays, window dressing and sales promotion.

Net bad debt loss — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income — interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense — interest expense, rental expense, any other expenses not pertaining to the business.

Ratios

Stock turnover — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios — each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

BALANCE SHEET

Asset Items

Cash on hand or in bank — the amount of cash in the business at the end of the year.

Net accounts receivable — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) — the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets — investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth Items

Current liabilities — obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

— Incorporated business — net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

Ratios

Current ratio — $\text{Current Assets} \div \text{Current Liabilities}$ — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to

examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

Liquidity ratio — $\text{Current Assets less Merchandise Inventory} \div \text{Current Liabilities}$ — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working capital to net worth ratio — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-debt ratio — $\text{Net Worth} \div \text{Total Liabilities}$ — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of total capital employed — $\text{Net Sales} \div \text{Total Assets}$ used in the business — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

C.2

BOOK

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