AU Coffee Shop Exercise Part 2– Castaway Cloud

In *Coffee Shop Exercise Part 1,* we created our simple Chart of Accounts in Castaway Cloud and added some basic numbers.

In *Coffee Shop Exercise Part 2*, we're going to update the simple forecasting methods used in part 1 to a more dynamic model, focusing just on the Coffee Sales and Cost of Goods Sold elements. Our plan is to base the sales and COGS numbers on the underlying operations drivers.

In this business, revenue is a function of:

1.   How long the shop is open each day/week (e.g., In hours or trading days)

2.   The volume of transactions occurring (e.g., the number of cups, customers or kg of coffee per day), and

3.   The revenue generated per transaction (e.g., the selling price per cup, average sale per customer or revenue yield per kg of coffee

By linking the operations inputs to the financial outcomes, we create a dynamic model that is much better suited to:

1.   Performing what-if analysis on key drivers

2.   Analysing different sales growth profiles

3.   Presenting a more insightful story to banks or other financiers

After considering the options, we have decided:

1.   Sales will be calculated as: Days per Month x Cups per Day x Price per Cup

2.   Cost of Sales to be: Days per month x Cups per Day x Cost per Cup

To build these formulas, we first need to create several Driver elements.

Drivers

Open the file you were working on in *Coffee Shop Exercise Part 1*, Go to the **Forecast** tab and navigate to **Drivers** which is near the bottom of the **Chart of Accounts**.
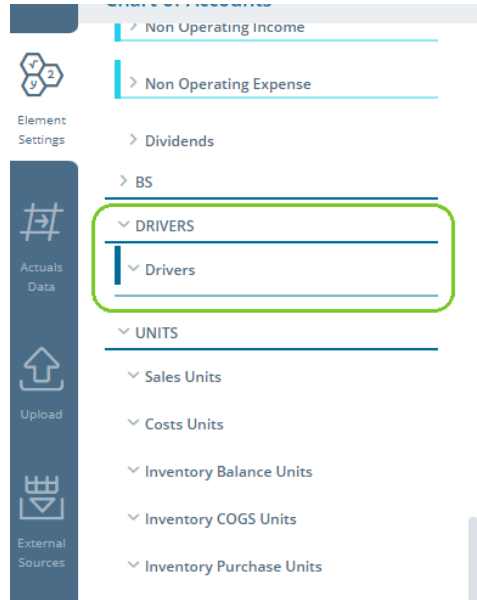
Then add the following Driver elements:

Element Type	Account Name
Driver	Days per Month
Driver	Cups per Day
Driver	Price per Cup
Driver	Cost per Cup

Next, we need to add data to each of the Driver elements. Remember to save your work as you go with the **Save and Close** button.

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DAYS PER MONTH

Click the **Driver Method** drop-down and select "Enter Driver". Then type in 30 in the July 22 field and fill-right to populate the whole year ahead.

CUPS PER DAY

Open the Cups per Day element and enter the following data:

Jul22	Aug22	Sep22	Oct22	Nov22	Dec22	Jan23	Feb23	Mar23	Apr23	May23	Jun23
0	200	250	300	350	400	350	350	350	350	350	350

PRICE PER CUP

Enter $4 for each month. As the data is the same for each month, we can use our short-cut of right-click and then Fill Right-Current Year

COST PER CUP

Enter $1.20 and fill to the end of the year

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With the Driver data added, we can add the formula to the Coffee Sales element:

1.   Open the **Coffee Sales** element and click the **Revenue** drop-down

2.   Select "Add Formula" and click the Edit button to the right of the Add Formula box

Coffee Sales

Settings	⌄
Revenue	⌃

Revenue Method

Add Formula ▼

Add Formula
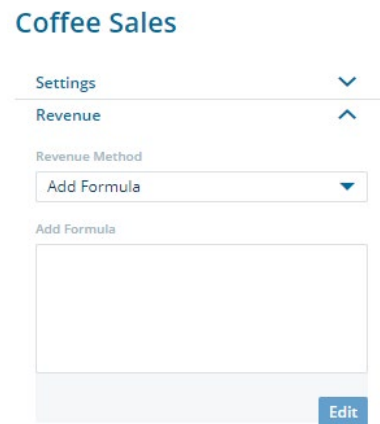
[Edit]

3.   Click the hamburger menu on the bottom right, then click **Drivers**

☰

4.   In the formula editor that appears:
    a. Click *Days per Month*, then the multiplier
    b. *Cups per Day*, then the multiplier
    c. Next, click *Price per Cup*. If your formula is correct, Castaway Cloud will show a Valid check mark in the top right. If incorrect, Castaway Cloud will show Invalid, and you won't be able to update or add your formula.
    d. Click *Update* to return to the data entry screen

Valid ✔

( )

5.   Confirm that the Formula Results are showing in the data screen

Coffee Sales

	Settings	⌃
Bank Account	Main Bank Account	▼
Data Entry Currency	Default	▼
Tax Rate	10	%
Taxable Income Method	Automatic	▼
Debtor Reporting	Trade Debtors	▼
Revenue		⌄
Invoice		⌄
Cashflow		⌄

Coffee Sales

	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22
⌄ Revenue					
Formula Result		0	24000	30000	36000
Net Revenue (P&L)		0	24000	30000	36000
⌄ Invoices					
Total Invoices		0	26400	33000	39600
⌄ Receipts					
Days Credit	30	30	30	30	
Cash Receipts		0	0	26400	33000
Closing Trade Debtors		0	26400	33000	39600
⌄ Taxes					
Taxable Income		0	24000	30000	36000

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The last step is to create a driver-based formula in the **Cost of Goods Sold** section.

1. Open the **Cost of Goods Sold** Element and click the **Cost of Goods Sold** modelling area

2. From the COGS Method drop-down, select "Add Formula"

3. Click the **Edit** button to the right of the Add Formula box

4. In the formula builder that appears:
   a. Click the hamburger menu in the bottom right, then Drivers
   b. Click Days per Month, then the multiplier
   c. Cups per Day, then the multiplier
   d. Cost per Cup. Is your formula Valid?
   e. Click Update and return to the data entry screen

5. Confirm the Formula Results are showing in the data entry screen

6. Save and Close to finish

You have now completed Part 2.