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UK 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

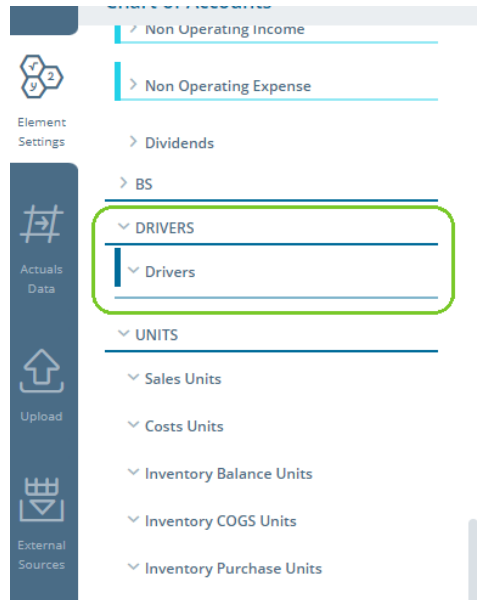
After considering the options, we have decided:

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.



DAYS PER MONTH

Click the **Driver Method** drop-down and select "Enter Driver". Then type in 30 in the April 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:

Apr22	May22	Jun22	Jul22	Aug22	Sep22	Oct22	Nov22	Dec22	Jan23	Feb23	Mar23
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 shortcut of right-click and then Fill Right-Current Year

The screenshot shows the 'rice per cup' element settings. On the left, the 'Driver Method' is set to 'Enter Driver'. The main area displays a data table for 'Price per cup' with columns for months from Mar 22 to Nov 22. The 'Enter Driver' row shows a value of 4 for all months from Apr 22 onwards. The 'Driver Value' row shows a value of 0 for Mar 22 and 4 for all subsequent months.

	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	D
Enter Driver		4	4	4	4	4	4	4	4	4
Driver Value	0	4	4	4	4	4	4	4	4	4

COST PER CUP

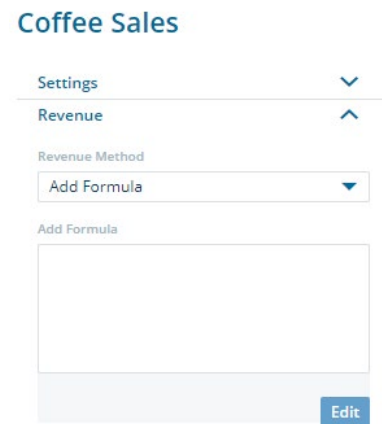
Enter £1.20 and fill to the end of the year

The screenshot shows the 'Cost per cup' element settings. The main area displays a data table for 'Cost per cup' with columns for months from Mar 22 to Aug 22. The 'Enter Driver' row shows a value of 1.2 for all months from Apr 22 onwards. The 'Base Driver Value' row shows a value of 0 for Mar 22 and 1 for all subsequent months.

	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22
Enter Driver		1.2	1.2	1.2	1.2	1.2
Base Driver Value	0	1	1	1	1	1

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



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



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

	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22
Coffee Sales								
▼ Revenue								
Formula Result		0	24000	30000	36000	42000	48000	42000
Net Revenue (P&L)		0	24000	30000	36000	42000	48000	42000
▼ Invoices								
Total Invoices		0	27600	34500	41400	48300	55200	48300

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

	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22
COGS								
▼ Cost of Goods Sold								
Cost of Goods Sold (P&L)		0	7200	9000	10800	12600	14400	12600
Inventory Outflow		0	7200	9000	10800	12600	14400	12600
▼ Inventory Balance								
Enter Days		14	14	14	14	14	14	14
C991 Op Bal		0	0	0	0	0	0	0
M213 Enter Adjustment		0	0	0	0	0	0	0
C201 Prima facie Purchases		0	0	0	0	0	0	0
C202 Prima facie Inventory		3360	4200	5040	5880	6720	5880	5880
C211 Top-up Purchases		0	0	0	0	0	0	0

6. Save and Close to finish

You have now completed Part 2.