



INTRODUCTION

1. It is essential that adequate controls and clearly defined policies and procedures be developed to ensure that the assets of bar operations are properly safeguarded.
2. The RAM must ensure that the policy and procedures set forth in this chapter are adhered to. In those areas where alternative procedures are outlined in this chapter, the NPPAM is responsible to advise the BComd/PSP Manager/Base Pers Services Officer regarding the practicality of one method over the others and the implications, in terms of maintaining control, associated with each method.

PURCHASES

3. The procurement, accounting and control of merchandise for resale shall be carried out in accordance with [Chapter 21](#) (Purchases).

CASH AND OTHER RECEIPTS

4. Bar operations shall follow the necessary controls and procedures as detailed in [Chapter 18](#) (Security of Non-Public Funds and Cash Receipt Controls).

SALES CONTROL

5. The use of cash registers or equivalent Point of Sale or other cash control systems as an effective part of inventory control is equally important in both retail accounting and cost accounting. Cash registers or equivalent cash control systems shall be utilized in bar operations where it is economically feasible to do so. The decision to introduce this type of equipment rests with the BComd/PSP Manager/Base Pers Services Officer.
6. To assist the BComd/PSP Manager/Base Pers Services Officer in this regard, bases should annually review operations and assess the requirement based on the following guidelines:
 - a. Where monthly sales at an outlet average \$2,000 or less, cash registers or equivalent cash control systems are convenient and useful but not essential; and
 - b. Where average monthly sales at an outlet exceed \$2,000, cash registers or equivalent cash control systems are strongly recommended.
7. More detail in regards to internal control can be found at [Chapter 5](#) (Principles of Internal Control).
8. Where it is determined that cash registers or equivalent cash control systems are to be introduced, only equipment having the features required by [Chapter 18](#), (Security of Non-Public Funds and Cash Receipt Controls) shall be acquired.
9. In cost accounting it becomes vital that management be able to monitor gross profit percentages to a much finer degree than with retail accountability. It is essential that the bar inventory be departmentalized in order to track the various commodity groups separately. Sales should be departmentalized as follows:
 - a. Soft Drinks (Dept 1-1);

- b. Snack Foods/Sundries (Dept 1-2);
 - c. Beer (bottle) (Dept 19-1);
 - d. Wine/coolers (Dept 19-2);
 - e. Beer (draft) (Dept 19-4);
 - f. Tobacco products (Dept 21); and
 - g. Meal Sales (Dept 50).
10. Where cash registers do not have a sufficient number of department keys, items within each departmental category should carry mark-up percentages that do not vary by more than 5%. Where cash registers are not in use, or where the equipment used does not have the features noted above, sales cannot efficiently be departmentalized and must be reported in total only.

SELLING PRICE LIST

11. Current selling price lists shall be posted in a prominent place in each bar so customers can easily read the prices in effect.

INVENTORY VALUATION

12. Bar operations shall account for inventory in accordance with [Chapter 25](#) (Inventory Valuation).

BAR MIX/PRE MIX

13. To maintain a satisfactory level of control and to facilitate comparison of profitability, bar mix (cylinder contained syrup or pop, etc) are normally classified as bar expense. NPP bar operations may include bar mix as part of the cost goods sold, particularly with Cost Outlets. To avoid problems, it is better not to sell bar mix as soft drinks; however, where a significant amount of soft drinks are sold, these sales should be accounted for through the cash register department for non-alcoholic or soft drinks.
14. The procedure for accounting for bar mix expense items is as follows:
- a. The posted selling price list shall clearly indicate that there is no charge for bar mix;
 - b. The cost price shall be charged directly to the appropriate expense account; and
 - c. These items will be excluded from physical stocktaking.
15. Bottled and canned soft drinks shall be included as merchandise and accounted for in the normal manner in accordance with [Chapter 25](#) (Inventory Valuation).

TRANSFERS OF ALCOHOLIC BEVERAGES OUTSIDE THE CONFINES OF AN OUTLET

16. If the provincial liquor permit allows the transfer of alcoholic beverages outside the confines of a particular outlet to another outlet within the same entity, then such transfers shall be processed in accordance with [Chapter 22](#) (Transfers) as an internal transfer. When the goods are sold to another Base Fund entity holding a valid provincial liquor permit, the transaction shall also be treated as a transfer and processed in accordance with [Chapter 22](#) (Transfers).
17. When a duly licensed entity is charged with the responsibility of storing alcoholic beverages (and/or other goods) for a particular event, such goods shall be accounted for separately. Preferably such goods will be completely segregated from the entity's regular inventory and be under the absolute control (i.e. lock and key) of someone other than the entity manager; however, if this is not possible, stocktakings must be completed on both inventories at the same time.

18. Alcoholic beverages shall not be issued or sold to individuals for their own consumption outside the confines of the entity (i.e. off-premises sales) unless permitted by the provincial laws. Where permissible, bars must ensure that they satisfy the appropriate liquor licensing requirements for off-premise sales.

CONTAINERS

19. Refundable containers form part of bar stock and shall be included in both Retail and Cost Accountability at their market value.

SPOILAGE AND BREAKAGE

20. Periodically merchandise will deteriorate or be lost through breakage. Unless such circumstances are controlled and recorded, serious loss can be incurred. The breakage and spoilage register ([Annex A](#)) remains a good indicator of problems with equipment or personnel - it is considered essential for internal control and should be monitored by bar management.

COST ACCOUNTABILITY

21. There is no breakage or spoilage account within cost accountability - spoilage is included in the cost of goods sold however, a spoilage register ([Annex A](#)) is to be maintained at the outlet for management internal control. See paragraph 22 below for more details.

RETAIL ACCOUNTABILITY

22. Each bar outlet must maintain a Monthly Spoilage/Breakage Register ([Annex A](#)) recording thereon:
 - a. Date of occurrence;
 - b. Description of article;
 - c. Type of loss (spoilage or breakage);
 - d. Quantity;
 - e. Unit retail value;
 - f. Total retail value;
 - g. Accumulated retail value to date;
 - h. Signature of staff member; and
 - i. Signature of manager.
23. At month-end, the register must be approved by the PMC, Bar Officer or CANEX Mgr, as applicable. For retail outlets only, the register shall be recorded on a Merchandise Requisition (CF 603) at month-end and forwarded to the NPPAM for accounting action.
24. On receipt of the Breakage and Spoilage Register from retail outlets, the NPPAM shall verify the accuracy of the source documents and record the spoilage/breakage in the following manner:
 - a. reduce the value of the loss to cost price by applying the previous month's cost multiplier; and
 - b. prepare following General Journal entry:

DR	Spoilage/Breakage Expense
CR	Purchases

BAR SALES ON CREDIT

25. The acceptance of major credit cards and debit cards is considered a normal business practice. In addition, the BComd may authorize bar sales on credit (e.g. Mess members' bar cards). Bar card (also known as Privileged Cards) credit sales shall form part of a member's monthly mess account and shall be paid in accordance with [Chapter 37](#) (Mess Charges) and [Personnel Support Programs Policy Manual \(PSP PM\)](#). Interim payments to the bartender, to reduce the balance outstanding, are not permitted.
26. Where authorized, credit sales shall be restricted as shown hereunder:
 - a. Credit sales to other than ordinary members are discouraged, however, the BComd may authorize such sales where such a practice is considered to be warranted;
 - b. Credit sales are not transportable between messes; and
 - c. Authorization of credit sales must not adversely affect the mess cash flow or create an overdraft of the mess share of the Base CBA.
27. Where credit sales using bar cards have been authorized by the BComd, the following procedures apply:
 - a. All sales shall be recorded (where a cash register is in use, each sale shall be rung in);
 - b. Each credit sale shall be recorded on a sales slip (bar card) which reflects the member's SN, rank, name, and section, the item purchased, and amount of the sale;
 - c. All sales slips shall be held until the close of business;
 - d. The daily sales report (DSR) shall be completed to reflect the total sales, identifying both cash and credit totals separately;
 - e. A copy of the DSR, supported by the completed sales slips shall be passed to the Mess Manager prior to the commencement of operations the following day;
 - f. The Mess Manager shall confirm that the sales slips equal the amount shown as credit sales on the DSR and enter the amount for each member in his records;
 - g. At month-end, the Mess Manager shall total the charges for each member and record the amounts as an element of their monthly mess bills and include this item in the Summary of Mess Charges; and
 - h. The NPPAM takes the following action:
 - i. Upon receipt of the DSR, he shall record the credit sales as a debit to "Accounts Receivable" and a credit to "Sales" in the books of account;
 - ii. Upon receipt of the Summary of Mess Charges (SMC) from the Mess Manager, the total credit sales recorded thereon shall be compared with that shown in "Accounts Receivable". Where these amounts differ, the NPPAM shall review the sales slips held by the Mess Manager to verify his records. In the event that the SMC total is incorrect, the NPPAM shall advise the manager of the discrepancy to initiate corrective action. If the SMC is correct the NPPAM shall take action to correct the accounting records and advise the outlet manager accordingly.

PRIVILEGED CARDS (BAR CARDS)

28. The Mess membership may authorize the use of a bar card for hosting guests at the mess for special functions/activities. The bar card purchases shall be recorded on a locally produced Privileged Bar Card and the totals entered on a CF 603 (or equivalent point of sale report) at month-end.
29. These privileged bar cards constitute a cost of doing business and will be expensed to the entity at their cost value. Therefore, the retail value of the issues shall be reduced to cost price by applying the cost multiplier. A General Journal entry will then be actioned crediting

Purchases and debiting the appropriate account under the General Revenue and Expense Statement (i.e. CO's Representational Expense, Entertainment, Miscellaneous General Expense).

STOCKTAKINGS

30. Stocktakings shall be carried out as detailed in [Chapter 26](#) (Stocktaking).

INVENTORY SHORTAGE/OVERAGE (RETAIL OPERATIONS)

31. Any inventory shortage or overage shall be processed in accordance with [Chapter 27](#) (Inventory Shrinkage, Spoilage/Breakage and Shortage/Overage).

MISCELLANEOUS BAR CONTROLS

32. There are several physical controls which can be introduced to safeguard the merchandise of entities. While some are common to all types of operations others are applicable in particular circumstances only.
33. To assist the BComd with the task of properly safeguarding merchandise, some of the more effective measures are presented in [Annex B](#) to this chapter. [Annex B](#) is not all inclusive and where other measures are developed that improve the level of control they should be introduced.
34. Bar operations shall respect federal and provincial laws.
35. As per [PSP PM](#), Chapter 9-2 (Provision, Serving and Consumption of Alcoholic Beverages), Bar managers must ensure that alcoholic beverages are not subsidized or discounted. This includes:
 - a. a prohibition on the operation of bars except on a profit-making or break-even bases, and
 - b. a prohibition on Happy Hour specials, such as two for one.

Note: This does not preclude subsidization at hosted functions held at the discretion of the Base/Wing Commander.

SPECIAL PROCEDURES

36. In recognition of the unique circumstances existing at some of the smaller stations, commands have developed procedures for "honour bar" operations at some locations.

Note: As per [PSP PM](#), Chapter 9-2 (Provision, Serving and Consumption of Alcoholic Beverages), Commanding Officers shall promulgate and establish orders to ensure that honour bars and vending machines that dispense alcoholic beverages are controlled to prevent their use by ineligible personnel.
37. The Command Headquarters (CHQ) authority to develop and authorize special procedures for mess operations at such locations is not restricted by this publication.
38. Service wide procedures, compatible with the needs of isolated and/or small units will be developed jointly by Canadian Forces Morale and Welfare Services-HQ and CHQ personnel and incorporated in this publication. Pending promulgation of such procedures, existing CHQ instructions remain in effect.

[Annex A - Spoilage and Breakage Register](#)

[Annex B - Miscellaneous Bar Controls](#)