

All restaurants recognize complimentary (comp) programs as part of doing business. Whether used as a goodwill gesture for a guest or to extend a privilege to employees, every restaurant must handle comp transactions. Comps are also great promotional tools, provide charitable donations, and can be used for trade compensation.

Despite their pervasiveness, comp transactions are often not well controlled or properly processed and leave many restaurants victimized by financial losses from fraud and an inflated tax burden from improper accounting. *See sidebar: "The Cost of Mishandled Comp Transactions"*. Restaurants can ill afford these financial penalties, particularly when there are solutions to reduce fraud and to ensure proper accounting and tax reporting for comp transactions.

### Differentiating Gift Cards and Comp Cards

Purchased by Guest	How Issued	Provided by Restaurant
Liability	Financial Classification When Issued	Expense*
Revenue	Financial Treatment upon Redemption	Expense*
Yes	Subject to Sales Tax and Income Tax	No
Yes	Subject to Sales Tax Escheatment	No

*\* Our Customers typically take the expense either at the time of issue or redemptions as company accounting policy dictates.*

### The Cost of Mishandled Comp Transactions

#### Fraud and Abuse.

One in ten controllable comp dollars is commonly lost to fraud. Paper certificates lack inherent controls and are particularly susceptible. Fraud is not limited to paper-based systems; a discount button on your POS system without appropriate controls also invites overuse and abuse.

#### Improper Accounting Results in an Inflated Tax Burden.

The "double taxation penalty" occurs because the comp value is a restaurant expense, not revenue. When you fail to appropriately recognize this expense, you artificially inflate your revenues, overstate your net income, and thus overstate your income and sales tax liability. This taxation penalty often occurs when restaurants use a gift card for comp situations.

Paytronix provides solutions to arrest fraud and ensure proper accounting and tax reporting. Our comp card solutions include POS integration to ensure accurate transaction processing and a seamless experience for your guests without manual intervention.

Plus, Paytronix's powerful reporting capabilities arm you with details about comp issuance and

redemption that allow you to ensure the administration of your comp programs aligns with your business objectives and adheres to the advice and guidance of your accounting and legal teams.

### Learn More About Specific Types of Comp Programs:

- Employee Dining and Meals
- Marketing and Promotions
- Guest Goodwill
- Charity
- Trade Compensation

#### Employee Dining and Meals

Restaurants normally extend complimentary or discounted meals to the owners and restaurant employees. Administering and correctly accounting for these programs is complex and leaves the program open to abuse.

Paytronix comp card solutions give you the flexibility to design a program that best fits your requirements. For example, most employee comp programs specify discount levels that vary across the organization. Owners and managers typically receive a larger discount than line employees. Our comp solutions enable you to specify and administer the levels of discount accordingly.

Some restaurants prefer to construct programs with comp cards loaded with a fixed, maximum value to be consumed during a given period of time. When the card is used, the amount of the check reduces the balance remaining on the card. Paytronix allows you to set varying amounts to accommodate different employee levels.

#### Marketing and Promotions

Comp cards make excellent marketing and promotion tools. With the flexibility to create promotions for any event, comp cards are easy to distribute and easy to redeem.

Consider a new store opening event. Unique, memorable offers build excitement. Comp cards give you the creative flexibility to attract guests into your restaurant with fun, appealing offers that introduce your best menu items. In addition, a card holding a series of free or discounted menu items will encourage multiple visits and help establish a following of new guests.

Cards are easy promotional items to distribute. For instance, including cards in a welcome package provides great way to introduce your restaurants to new students at the start of the school year.

In all, Paytronix comp cards add an exciting flair to make your promotional events a success. Along with the flexible creativity and ease of distribution, POS integration assures a smooth redemption process and accurate accounting.

### **Guest Goodwill**

Comp cards give you a convenient way to extend a special reward to a stellar guest or to compensate for a poor experience.

As an opportunity arises, a manager can offer the guest a card containing a specific dollar value, a complimentary menu item, or a discount on their next visit. Whatever form the comp takes, Paytronix will ensure a simple redemption process and accurate accounting for the transaction.

### **Charity**

Comp cards make ideal donations for charity events. Paytronix's comp solutions allow you to configure the gift in several different ways. For instance, a card may offer: a discount on purchases, a fixed dollar amount, or provide complimentary menu items (e.g. a free entree or soup-for-a-year). In addition, Paytronix comp cards feature POS integration which enables a simple redemption process -- just swipe the card! Paytronix solutions give you the flexibility to:

- Control the start and expiration dates.
- Ensure proper and accurate accounting of the transaction.

Paytronix provides you the freedom to create a compelling donation for any charity event while ensuring a smooth, simple redemption process.

### **Trade Compensation**

Comp cards provide an alternative way for your store managers to pay service providers (e.g., plumber or electrician) or to secure advertising time/space. Instead of paying in cash, you may find it advantageous to pay tradesmen, suppliers, or these other service providers in kind.

Paytronix comp cards facilitate this payment option. The Paytronix reporting system gives oversight and control with an audit trail to track issuance and redemption for financial accounting.

To learn more about making comps work for your restaurants, contact us.