

# What is an Allowance & Why do we Use Them?

An allowance is a monetary value that will normalise the retail result. One example of an allowance is for cocktail sales. For example, if a shot of vodka costs £3.00, and a shot of gin costs £3.00. a cocktail using these two ingredients is charged at £5. This means that £1 is being lost every cocktail sold, so this value is given as an allowance. If 100 cocktails were sold, the allowance would be £100 (100 x £1).

## **allowance**

**/ə'laʊəns/**

***noun***

**the amount of something that is permitted, especially within a set of regulations or for a specified purpose.**

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