

## 6 FOOD, BEVERAGE AND LABOUR COST CONTROLS

**Prerequisites:**

**Credits: 3**

### Overview

Learners will be introduced to standards and procedures that increase the probability of food and beverage operations in the industry with emphasis on controlling cost and maximizing sales. Purchasing procedures will be examined.

### General Objectives

This course is designed to:

- 1 emphasize the importance of controlling cost and maximizing sales
- 2 stress the importance of the profit margin, what it means to the organization and the role which controls “play” in the enhancement of the profit factor
- 3 introduce to students a “working example” of controls which contributes to the Food and Beverage Control System

### Learning Outcomes

Upon successful completion of this course, the learner will:

- 1 identify financial controls in the Hospitality Industry.
- 2 analyze the different costs pertinent to food and beverage operations.
- 3 implement internal controls for deliveries, receiving, inventory, cash handling, audit process, accounts payable and payroll.
- 4 identify and explain the principles of effective purchasing.
- 5 identify the various criteria as they relate to the quality of products.

### Topics

#### 1.0 An Introduction to Food and Beverage Control

##### Objectives

Upon completion of the topic the student will be able to:

- 1.1 explain what is meant by the Hospitality Industry
- 1.2 identify some of the components which make up the Hotel
- 1.3 explain and differentiate between Commercial Food Services and Institutional Food Services.

##### Content

- Travel and Tourism, the Hospitality Segment
- How Hotels are departmentally organized
- Identification of Commercial and Food Institutional Food Services.

#### 2.0 Management Functions

##### Objectives

Upon completion of the topic the student will be able to:

- 2.1 identify and briefly discuss the various functions that management performs
- 2.2 explain what is meant by the Food and Beverage “Flow of Costs”
- 2.3 explain the importance of Food Control Systems within a Food Operation.

##### Content

- Planning, Organizing, coordinating, Staffing, Directing, and controlling.
- The Operating Control Cycle
  - Purchasing
  - Receiving
  - Storing
  - Issuing
  - Production

- Controlling: an important aspect of Management Function:

- The establishment of standards
- The Measurement of Operating Results
- The Comparison of actual results with standards
- The taking of Corrective Action
- Reviewing Corrective Action

### 3.0 The Purchasing and Receiving Functions

#### Objectives

Upon completion of the topic the student will be able to:

- 3.1 distinguish between perishable and non-perishable food items and the purchasing thereof
- 3.2 describe a market quotation sheet and an order form
- 3.3 identify four common methods by which suppliers may profit from an operation's poor receiving practices.
- 3.4 explain four standard practices that the Food Operation may use to ensure an effective Receiving System.
- 3.5 explain the use of the daily Food Receiving Report.

#### Content

- Purchasing perishable and non-perishable items.
- The functions of the Market Quotation sheet
- The Order Form and Food Deliveries
- Methods of fraud in food deliveries:
  - failing to meet specifications
  - watering and Icing products
  - Invoicing high-quality items for low quality items delivered
  - Invoice Overcharging
  - Incorrect pricing as a result of bulk weighing
  - Putting goods directly into storage areas
  - Delivering goods outside normal receiving
- Standard Receiving Practices
  - Item count
  - Item Weighing
  - Check amounts and prices against market quotation sheet
  - Quality Check
  - Spot check of cases
  - Follow-up action on short deliveries, or deliveries that do not match specifications

- Immediate storage of all Food Items received
- The daily Food Receiving Report

### 4.0 Storage and Issuing of Food Items

#### Objectives

Upon completion of the topic the student will be able to:

- 4.1 explain the reason for the proper storage and Issuing functions within Food establishments
- 4.2 explain at least four practices adopted by Food operations to prevent against food spoilage
- 4.3 identify at least six methods which a food operation may adopt to secure its food merchandise
- 4.4 describe the duties and responsibilities of the Food Storekeeper
- 4.5 explain the purpose of the Issuing Function and how it is normally carried out.

#### Content

- The purpose of the Storage and Issuing Functions
- Prevention of Spoilage and Theft
  - Adequate Locking and security system
  - Effective Key Control system
- Adequate delegated responsibility for the Merchandise on hand
- Practices to prevent Food Spoilage
  - Improper Storage temperatures
  - Excessive Storage Periods
  - Lack of Adequate Ventilation
  - Failure to segregate Food properly
  - Lack of proper sanitation
  - Excessive delays between time of receipt and proper storage
- Responsibilities of Storekeeper
  - Keeping storage area clean and dry
  - Ensuring merchandise is used before spoiling
  - Ensuring equipment is in good working order
- The Food Issuing Function
  - Proper Authorization for issuing
  - The food requisition For

## 5.0 Inventory Control

### Objectives

Upon completion of the topic the student will be able to:

- 5.1 illustrate how the perpetual inventory system functions to account for food merchandise
- 5.2 distinguish between the following forms of inventory: Open Inventory, Book Inventory, and Actual Inventory.
- 5.3 explain and demonstrate how inventory turnover is computed.

### Content

- Storeroom Inventory
  - Bin Cards
  - Perpetual Inventory System
- Book Inventory
  - Opening Inventory + Storeroom Purchases - Storeroom Inventory = closing Inventory
  - Open Stock Inventory
  - Actual Inventory
  - Inventory Turnover

## 6.0 Food and Beverage Standards

### Objectives

Upon completion of the topic the student will be able to:

- 6.1 define Standard Purchase Specifications
- 6.2 compile a standard recipe for a particular item and explain its function.
- 6.3 calculate and explain standard yield.
- 6.4 explain how standard portions are derived.
- 6.5 define Food Costs and Standard Beverage Costs.

### Content

- Standard Purchase Specifications
- Standard Recipes
  - How to develop standard Recipes
- Standard Yields
  - How to develop standard yields
  - The Cost per servable pound
  - The Cost factor
- Standard Portion Sizes
- Standard Portion Costs

- How to calculate Standard Dinner Costs
- How to Calculate Standard Portion Costs
- Special standard costs for beverage control
- Standard Food Costs
  - How to calculate standard costs per meal
- Standard Beverage Costs

## 7.0 The Food Cost Percent

### Objectives

Upon completion of the topic the student will be able to:

- 7.1 compile the statistics required of a daily Food Cost Form, calculate daily Food Cost and Food Cost Percentage, and explain Food Cost as a control measure.
- 7.2 compile accumulated food costs, and explain how the adjustments affect the final inventory balance.

### Content

- How to calculate a daily Food Cost Percent
  - The Daily Food Cost Form
  - Transfers to the Food Department
  - Transfers from the Food Department
  - Employees meals and promotional meals
- How to calculate accumulated Food Cost
  - Month end adjustments
  - Difference between book inventory and actual inventory
  - Open stock inventory

## 8.0 Beverage Control Cost

### Objectives

Upon completion of the topic the student will be able to:

- 8.1 identify at least five ways in which theft or fraud can occur in a bar
- 8.2 discuss the use of requisitions as a basis for beverage cost control
- 8.3 discuss necessary practices for effective cost control, such as the use of standard recipes
- 8.4 measuring devices and the value of a spillage allowance.
- 8.5 briefly discuss the standard cost control method, and given appropriate information, solve problems using this method.

## Content

- Methods of theft or fraud:
  - under pouring drinks
  - practice of Bar Personnel using personally purchased bottles
  - the Dilution of liquor
  - recording individually sold drinks as a full bottle
  - Recording sold drinks as spilled or complimentary
  - Substituting low quality liquor for a high quality one
  - Overcharging drinks especially to a high tab.
- Beverage requisition
- Beverage Standard Recipes
- The use of measuring devices
- How to establish drink selling prices
- Why Full Bottle sales should be separated.
- Spillage allowance
- Standard Beverage cost control
- Reporting Beverage Revenue

## 9.0 Procedures for Comparison and Analysis

### Objectives

Upon completion of the topic the student will be able to:

- 9.1 identify variances between standard and actual Food and Beverage costs and discuss reasons for the variance.
- 9.2 discuss suitable recommendations for the correction of the variance.

### Content

- The analysis of Food and Beverage Reports.
- How to identify variances in Food and Beverage Costs.

## 10.0 The Control of Food and Beverage Sales Income

### Objective

Upon completion of the topic the student will be able to:

- 10.1 Discuss methods for the control of Food and Beverage Revenue.

### Content

- Guest Check Control Systems
  - Manual and automated systems.
- The Collection of Sales Income
  - Sales Income Reports

## 11.0 Basic Labour Cost Controls

### Objectives

Upon completion of the topic the student will be able to:

- 11.1 describe the personnel administration process
- 11.2 establish staffing guides, scheduling and correct variances between standard and actual labour hours

### Content

- Personnel Administration Process
- Labour Cost Control Systems

## 12.0 Sales Income Controls

### Objectives

Upon completion of the topic the student will be able to:

- 12.1 discuss opportunities for theft
- 12.2 prepare a sales income control system
- 12.3 outline the principles to prevent theft of sales income by bartenders, food and beverage servers, cashiers and customers

### Content

- Fraudulent activities
- Sales income control systems
- Prevention of sales income theft

### 13.0 Control of Labour Dollars Cash Controls

#### Objectives

Upon completion of the topic the student will be able to:

- 13.1 set up procedures to control cash after collection, petty cash, and labour dollars

#### Content

- Control procedures for cash, petty cash and labour dollars

#### Instruction Format

- 1 Lectures will form the basis for the presentation of the information.
- 2 Flip charts and multimedia will be used to enhance the study and learning processes where the data to be presented proves too complex.
- 3 Situational Learning will take place where students will be encouraged to carry out specified practical assignments in order to enhance the learning climate. Examples will include, but will not necessarily be limited to:
  - compiling and pricing a food inventory
  - designing, costing and pricing their own recipes using realistic market prices
  - carrying out an actual yield test, if possible within a kitchen environment.
  - designing a function sheet and costing all the requirements of the menu.
  - pricing the function in consideration of the expenses incurred and giving specified net.
  - profit criteria.

#### Assessment and Evaluation

- Classroom exercises – 30%
- One mid-term test – 30%
- Final exam - 40%

#### Recommended Text

Cost Control for the Hospitality Industry, 2<sup>nd</sup> Edition,. Coltman Michael M.

Principles of Food, Beverage & Labour Cost Controls, 9<sup>th</sup> Edition 2008, Paul Dittmer and J D Keefe. Published by Wiley

Practical Food & Beverage Cost Control, 2<sup>nd</sup> Edition, Clement Ojugo, Delmar Cengage Learning

#### Resources

Planning and Control for Food & Beverage Operations, Jack Ninemeir

#### Attendance

Students are encouraged to attend all class sessions as all information presented may not be covered in the required text. Participation of students is an integral component of the learning process.