



# in Hospitality Industry



LOUIE FABABAER, MA-THM  
 MARIA RHODA D. DINAGA, MAIE-HRM  
 REYNALDO C. RETORIA JR.

cost control  
in  
Hospitality Industry

Louie Fababaer, MA-THM  
Maria Rhoda D. Dinaga, MAIE-HRM  
Reynaldo C. Retoria, Jr.

# Cost Control in Hospitality Industry

COPYRIGHT © 2020

Louie Fababaer

Maria Rhoda D. Dinaga

Reynaldo C. Retoria, Jr.

ISBN: 978-621-406-289-8

**ALL RIGHTS RESERVED.** *No part of this work covered by the copyright hereon may be reproduced used in any form or by any means graphic, electronic or mechanical, including photocopying, recording or information storage and retrieval systems-without the written permission from the publisher and the authors.*

*Published by : MINDSHAPERS CO., INC.*

*Rm. 108, ICP Building*

*Recoletos cor. Cabildo Streets*

*Intramuros, Manila*

*Tel. no. (02) 8254-6160*

*Telefax no. (02) 8527-6489*

*Cover Design : ERWIN BONGALOS*

*Layout Artist: GPG*

# Table of Contents

Preface.....	iii
Acknowledgment.....	v

## Chapters

<b>1 PURCHASING.....</b>	<b>1</b>
<b>Lesson 1: The Purchaser.....</b>	<b>3</b>
Characteristics of an Ideal Purchaser.....	4
Duties of a Purchaser.....	4
<b>Let Us Discuss.....</b>	<b>4</b>
<b>Assignment.....</b>	<b>4</b>
<b>Self-Check 1.1.....</b>	<b>5</b>
<b>Lesson 2: The Market Lists.....</b>	<b>7</b>
<b>Self-Check 1.2.....</b>	<b>9</b>
<b>Lesson 3: Purchasing Methods.....</b>	<b>11</b>
Competitive Quotes.....	11
Standing Order .. .. .	11
One-stop Shop.....	12
Cost-Plus.....	12
Sealed Bids or Blanket P.O.....	13
Commissary .. .. .	13
<b>Assignment.....</b>	<b>13</b>
<b>Self-Check 1.3.....</b>	<b>15</b>
<b>Lesson 4: Purchasing Perishables and Non-Perishables.....</b>	<b>17</b>
Primary Characteristics of Effective Purchasing Control.....	18
Errors in Purchasing Causing High Food.....	18
<b>Let Us Discuss.....</b>	<b>18</b>
<b>Self-Check 1.4.....</b>	<b>19</b>
<b>Lesson 5: Product Specification and Product Testing.....</b>	<b>21</b>
Product Specification.....	21
Product Testing.....	22
<b>Let Us Discuss.....</b>	<b>23</b>
<b>Assignment.....</b>	<b>23</b>
<b>Chapter Test 1.....</b>	<b>25</b>
<b>2 RECEIVING.....</b>	<b>29</b>
Lesson 1: Receiving.....	21
Pointers in Receiving Stocks.....	31

<b>Test Yourself</b> .....	32
<b>Assignment</b> .....	32
<b>Lesson 2: Receiving Tools</b> .....	33
<b>Test Yourself</b> .....	34
<b>Assignment</b> .....	34
<b>Self-Check 2.1</b> .....	35
<b>Lesson 3: Receiving Procedure</b> .....	37
Scheduling of Deliveries.....	37
Importance of the Invoice.....	37
Receiving Procedures.....	38
Blind Receiving.....	39
<b>Self-Check 2.2</b> .....	43
<b>Test Yourself</b> .....	28
<b>Lesson 4: Credit Note and Delivery Note</b> .....	45
Credit Note.....	45
Delivery Note or Delivery Receipt.....	45
Test Yourself.....	46
<b>Self-Check 2.3</b> .....	47
<b>Lesson 5: Meat Tagging</b> .....	49
Meat Tagging.....	49
<b>Test Yourself</b> .....	50
<b>Self-Check 2.4</b> .....	51
<b>Chapter Test 2</b> .....	53
<b>3   STORING AND ISSUING</b> .....	55
<b>Lesson 1: Storage Area</b> .....	57
Types of Storage Area.....	57
The Four (4) Types of Food Storage.....	58
<b>Test Yourself</b> .....	59
<b>Assignment</b> .....	60
<b>Self-Check 3.1</b> .....	61
<b>Lesson 2: Storing for Safety and Quality</b> .....	63
Condition of Facilities and Equipment.....	63
Temperature.....	63
Storage Containers.....	65
Shelving.....	65
Cleanliness and Sanitation.....	66
<b>Test Yourself</b> .....	66
<b>Assignment</b> .....	66
<b>Self-Check 3.2</b> .....	67
<b>Lesson 3: Stocking Order</b> .....	69
Arrangement of Foods.....	69
Packaging Dates.....	71

<b>Test Yourself</b> .....	<b>72</b>
Self-Check 3.3.....	73
Lesson 4: Monitoring Issuance.....	75
Food and Beverage Transfers.....	75
Two Types of Transfers.....	76
Seatwork 3.1.....	79
Lesson 5: Inventory Costs.....	81
Calculating Inventory Turnover.....	81
Determining Inventory Cost.....	82
FIFO (First-In, First-Out).....	83
Ending Inventory Cost (FIFO).....	83
LIFO (Last-In, First-Out).....	84
Ending Inventory Cost (LIFO).....	84
Moving Average.....	84
Ending Inventory Cost (Moving Average).....	85
<b>Seatwork 3.2</b> .....	<b>87</b>
<b>Chapter Test 3</b> .....	<b>89</b>
<b>4 PRICING</b> .....	<b>93</b>
Measurement and Weights of Ingredients.....	94
Common Baking and Cooking Conversions.....	94
Six (6) Common Conversions You Need to Know.....	95
Common Weight Conversions.....	95
Common Metric Conversions.....	96
<b>Self-Check 4a</b> .....	<b>97</b>
Determining the Unit Cost of a Menu.....	99
Self-Check 4b.....	101
Lesson 1: Pricing Techniques.....	103
<b>Test Yourself</b> .....	<b>105</b>
Lesson 2: Pricing .....	107
Subjective Method .....	107
Objective Pricing Method.....	108
Seatwork 4.1.....	113
Seatwork 4.2.....	117
Seatwork 4.3.....	121
Seatwork 4.4.....	125
Seatwork 4.5.....	131
Seatwork 4.6.....	137
Seatwork 4.7.....	141
Seatwork 4.8.....	145
Lesson 3: Standardized Recipe and Portion Size.....	149
Standardized Recipe.....	149
<b>Discussion</b> .....	<b>150</b>
Chapter Test 4.....	151

<b>5</b>	<b>FORECASTING</b>	153
	Lesson 1: Sales Forecast.....	155
	Advantages of Precise Forecasts.....	155
	<b>Seatwork</b> 5.1.....	159
	<b>Lesson 2: Average Sales</b> .....	161
	Two Major Types of Average ... ..	161
	Guest Count.....	162
	Transaction Count.....	162
	Average Check per Transaction.....	162
	Average Check per Guest/Average Spent per Guest.....	162
	Average Check in Action.....	163
	<b>Seatwork</b> 5.2.....	165
	Lesson 3: Sales Variance.....	167
	Seatwork 5.3.....	169
	Revenue Forecast.....	171
	Seatwork 5.4.....	173
	Forecasting Guest Count.....	175
	Menu Item Forecasting.....	176
	Lesson 4: Manpower Forecasting.....	179
	Discussion.....	181
	Food Cost Percentage.....	182
	Discussion.....	184
	Chapter Test 5.....	185
<b>6</b>	<b>BEVERAGE CONTROL</b> .....	189
	Lesson 1: Beverage.....	191
	Types of Beverages.....	191
	Test Yourself.....	193
	The Beverage Industry: New Forecasts and Trends.....	194
	Forecasting Beer Sales.....	194
	Forecasting Wine Sales.....	194
	Forecasting Spirit Sales.....	195
	Computing Averages for Sales Histories.....	195
	Average Sales Per Guest.....	196
	Weighted Average.....	196
	Sales Variances.....	197
	Revenue Forecast.....	197
	Guest Count Forecast.....	197
	Future Average Sales per Guest.....	198
	Cost per Peso of Sale. . .	198
	Cost Percent's.....	198
	Beverage Cost Percentage.....	198
	Self-Check 6.1.....	199

Lesson 2: Beverage Purchasing	<b>201</b>
Standards for Purchasing.....	201
Ordering Methods	202
Periodic Order.....	204
Standardized Drink Recipes and Portions.....	205
Devices for Measuring Standard Quantities.....	205
Glassware.....	207
Test Yourself.....	<b>209</b>
Self-Check 6.2.....	<b>211</b>
Lesson 3: Establishing Standard Portion Cost.....	213
Straight Drinks.....	213
Mixed Drinks and Cocktails.....	214
Test Yourself.....	214
Lesson 4: Pricing Beverage.....	215
Test Yourself.....	216
Chapter Test 6	217
<b>7</b> LABOR COST CONTROL	<b>221</b>
Labor Cost Control.....	221
Labor Cost.....	221
Labor Classifications for Control Purposes	222
Standard Work Hours	222
Standard Cost.....	222
Labor Cost Percentage.....	223
The Aim of Labor Cost Control.....	223
Management of Labor.....	223
The Advantage of Hiring Part-time Employees in the Philippines.....	224
Outsourcing in the Hospitality Industry.....	224
Employee Compensation.....	225
Employee Benefits.....	227
Government-Mandatory Benefits.....	227
The Payroll System.....	229
Self-Check 7.....	<b>231</b>
<b>Bibliography.....</b>	<b>233</b>