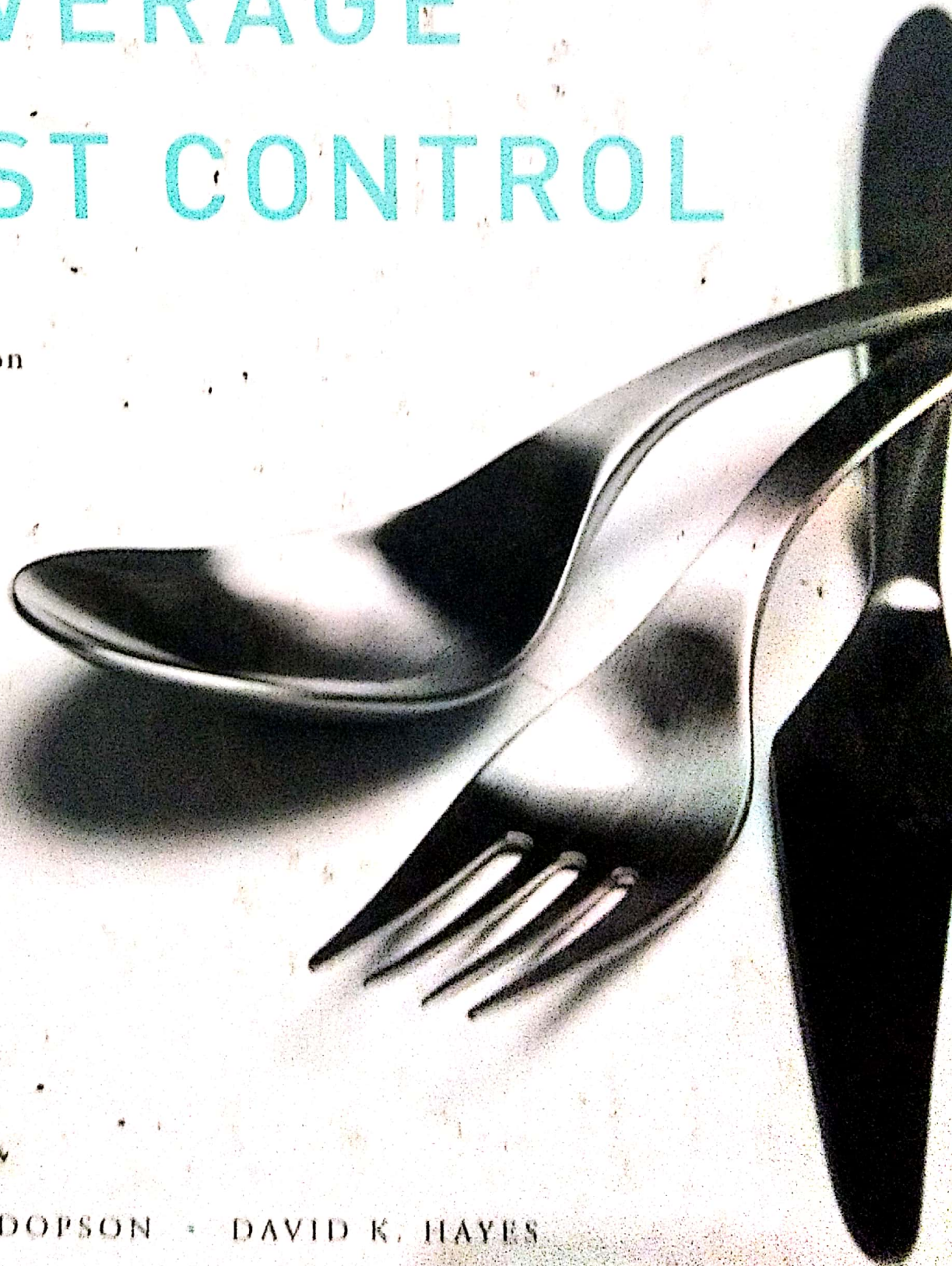


FOOD AND BEVERAGE COST CONTROL

Fifth Edition



LEA R. DOPSON • DAVID K. HAYES

FOOD AND BEVERAGE COST CONTROL

Fifth Edition

LEA R. DOPSON

DAVID K. HAYES



WILEY

John Wiley & Sons, Inc.

This book is printed on acid-free paper. ⊗

Copyright © 2011, 2008, 2005 by John Wiley & Sons, Inc. All rights reserved

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.
Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, 978-750-8400, fax 978-646-8600, or on the web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, 201-748-6011, fax 201-748-6008, or online at <http://www.wiley.com/go/permissions>.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate.

Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services, or technical support, please contact our Customer Care Department within the United States at 800-762-2974, outside the United States at 317-572-3993 or fax 317-572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books.

For more information about Wiley products, visit our Web site at <http://www.wiley.com>.

Library of Congress Cataloging-in-Publication Data:

Dopson, Lea R.

Food and beverage cost control / Lea R. Dopson, David K. Hayes — Fifth ed. p. cm.
ISBN 978-0-470-25138-6

1. Food service—Cost control. I. Hayes, David K. II. Title.
TX911.3.C65D66 2011
647.95068'I—dc22

2009026533

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

CONTENTS

Preface xvii

Acknowledgments xxvii

CHAPTER 1 MANAGING REVENUE AND EXPENSE 1

PROFESSIONAL FOODSERVICE MANAGER 2

PROFIT: THE REWARD FOR SERVICE 3

Revenue 5

Expenses 7

GETTING STARTED 8

Percent Review 10

Computing Percent 11

Using Percent 12

UNDERSTANDING THE INCOME (PROFIT AND LOSS) STATEMENT 14

UNDERSTANDING THE BUDGET 18

Apply What You Have Learned 22

Key Terms and Concepts 23

Test Your Skills 23

CHAPTER 2 DETERMINING SALES FORECASTS 28

IMPORTANCE OF FORECASTING SALES 29

SALES HISTORY 30

Computing Averages for Sales Histories 33

Recording Revenue, Guest Counts, or Both 36

MAINTAINING SALES HISTORIES 38

SALES VARIANCES 39

PREDICTING FUTURE SALES 41
 Future Revenues 41
 Future Guest Counts 43
 Future Average Sales Per Guest 45
 Apply What You Have Learned 48
 Key Terms and Concepts 49
 Test Your Skills 49

CHAPTER 3 MANAGING THE COST OF FOOD 55

MENU ITEM FORECASTING 56
STANDARDIZED RECIPES 59
 Factor method 62
 Percentage Method 62
INVENTORY CONTROL 64
 Determining Inventory Levels 64
 Setting the Purchase Point 70
PURCHASING 71
 What Should Be Purchased? 71
 What Is the Best Price To Pay? 77
 How Can a Steady Supply Be Ensured? 80
 One Vendor Versus Many Vendors 82
 Purchasing Ethics 82
 Daily Inventory Sheet 84
 Preparing the Purchase Order 86
RECEIVING 89
 Proper Location 90
 Proper Tools and Equipment 91
 Proper Delivery Schedules 92
 Proper Training 92
 Receiving Record or Daily Receiving Sheet 98
STORAGE 100
 Placing Products in Storage 101
 Storage Areas 103
 Storage Basics 105
 Maintaining Product Quality and Safety 105

Maintaining Product Security 106

Determining Inventory Value 107

DETERMINING ACTUAL FOOD EXPENSE 110

Beginning Inventory 111

Purchases 111

Goods Available for Sale 111

Ending Inventory 112

Cost of Food Consumed 112

Employee Meals 112

Cost of Food Sold 112

Variations on the Basic Cost of Food Sold Formula 112

Food Cost Percentage 116

Estimating Daily Cost of Food Sold 117

Apply What You Have Learned 122

Key Terms and Concepts 122

Test Your Skills 123

CHAPTER 4 MANAGING THE COST OF BEVERAGES 132

SERVING ALCOHOLIC BEVERAGES 133

Beverage Only 133

Beverage and Food 134

Beverage and Entertainment/Activity 135

Classifications of Alcoholic Beverages 135

Responsible Alcoholic Beverage Service 136

FORECASTING BEVERAGE SALES 137

Forecasting Beer Sales 137

Forecasting Wine Sales 138

Forecasting Spirit Sales 140

STANDARDIZED DRINK RECIPES AND PORTIONS 141

PURCHASING BEVERAGE PRODUCTS 144

Determining Beer Products to Carry 145

Determining Wine Products to Carry 147

Determining Spirit Products to Carry 151

Beverage Purchase Orders 154

RECEIVING BEVERAGE PRODUCTS 154

STORING BEVERAGE PRODUCTS 155

x Contents

Beer Storage	156
Wine Storage	157
Liquor Storage	158
BAR TRANSFERS	159
COMPUTING COST OF BEVERAGES	161
SPECIAL FEATURES OF LIQUOR INVENTORY	162
Liquor Inventory by Weight	162
Liquor Inventory by Count	163
Liquor Inventory by Measure	163
SALES MIX	164
Apply What You Have Learned	169
Key terms and Concepts	169
Test Your Skills	169

CHAPTER 5 MANAGING THE FOOD AND BEVERAGE PRODUCTION PROCESS 177

MANAGING THE FOOD AND BEVERAGE PRODUCTION PROCESS	178
Production Schedules	178
PRODUCT ISSUING	181
Special Concerns for Issuing Beverages	184
Estimating Daily Costs Using the Issues System	187
INVENTORY CONTROL	190
Physical and Perpetual Inventory	190
ABC Inventory Control	192
MANAGING THE FOOD PRODUCTION AREA	197
Waste	197
Overcooking	198
Overportioning	199
Improper Carryover Utilization	201
Inappropriate Make or Buy Decisions	201
MANAGING THE BEVERAGE PRODUCTION AREA	202
Free-Pour	203
Jigger Pour	203
Metered Bottle/Dispenser	203
Beverage Gun	204
Total Bar System	204

- Minibars 205
- Bottle Sales 205
- Open Bars 206
- Banquet Operations 207

EMPLOYEE THEFT 207

- Reducing Bar-Related Theft 207
- Reducing Kitchen-Related Theft 210

DETERMINING ACTUAL AND ATTAINABLE PRODUCT COSTS 210

- Determining Actual Product Cost 211
- Product Yield 214
- Determining Attainable Product Cost 217

REDUCING OVERALL PRODUCT COST PERCENTAGE 221

- Decrease Portion Size Relative to Price 223
- Vary Recipe Composition 223
- Adjust Product Quality 224
- Achieve a More Favorable Sales Mix 224
- Ensure That All Product Purchased Is Sold 225
- Increase Price Relative to Portion Size 225
 - Apply What You Have Learned 228
 - Key Terms and Concepts 228
 - Test Your Skills 228

CHAPTER 6 MANAGING FOOD AND BEVERAGE PRICING 236

MENU FORMATS 237

- Standard Menu 237
- Daily Menu 239
- Cycle Menu 240
- Menu Specials 242

FACTORS AFFECTING MENU PRICING 242

- Local Competition 244
- Service Levels 244
- Guest Type 245
- Product Quality 245
- Portion Size 246
- Ambience 246

xii Contents

Meal Period 247

Location 247

Sales Mix 247

ASSIGNING MENU PRICES 251

Product Cost Percentage 251

Product Contribution Margin 253

Product Cost Percentage or Product Contribution Margin 254

SPECIAL PRICING SITUATIONS 255

Coupons 256

Value Pricing 256

Bundling 256

Salad Bars and Buffets 256

Bottled Wine 259

Beverages at Receptions and Parties 260

Apply What You Have Learned 264

Key terms and Concepts 264

Test Your Skills 264

CHAPTER 7 MANAGING THE COST OF LABOR 275

LABOR EXPENSE IN THE HOSPITALITY INDUSTRY 276

Labor Expense Defined 276

Payroll 277

Labor Expense 278

EVALUATING LABOR PRODUCTIVITY 279

Employee Selection 281

MAINTAINING A PRODUCTIVE WORKFORCE 280

Training 285

Supervision 289

Scheduling 290

Breaks 293

Morale 293

Menu 296

Convenience versus Scratch Preparation 297

Equipment/Tools 298

Service Level Desired 299

MEASURING CURRENT LABOR PRODUCTIVITY 300

- Labor Cost Percentage 300
- Sales per Labor Hour 303
- Labor Dollars per Guest Served 304
- Guests Served per Labor Dollar 305
- Guests Served per Labor Hour 306
- Revenue per Available Seat Hour (RevPASH) 308
- Six-Column Daily Productivity Report 311
- Determining Costs by Labor Category 313

MANAGING PAYROLL COSTS 315

- Step 1. Determine Productivity Standards 315
- Step 2. Forecast Sales Volume 317
- Step 3. Schedule Employees Using Productivity Standards and Forecasted Sales Volume 318
- Step 4. Analyze Results 323

REDUCING LABOR-RELATED COSTS 325

- Employee Empowerment 326
 - Apply What You Have Learned 329
 - Key Terms and Concepts 329
 - Test Your Skills 330

CHAPTER 8 CONTROLLING OTHER EXPENSES 340

MANAGING OTHER EXPENSES 341

- Costs Related to Food and Beverage Operations 342
- Costs Related to Labor 344
- Costs Related to Facility Maintenance 344
- Occupancy Costs 344

FIXED, VARIABLE, AND MIXED OTHER EXPENSES 346**CONTROLLABLE AND NONCONTROLLABLE OTHER EXPENSES 350****MONITORING OTHER EXPENSES 350****REDUCING OTHER EXPENSES 354**

1. Reducing Costs Related to Food and Beverage Operations 355
2. Reducing Costs Related to Labor 359
3. Reducing Costs Related to Equipment Maintenance 359
4. Reducing Occupancy Costs 362
 - Apply What You Have Learned 362
 - Key Terms and Concepts 363
 - Test Your Skills 363

CHAPTER 9 ANALYZING RESULTS USING THE INCOME STATEMENT 370

- INTRODUCTION TO FINANCIAL ANALYSIS 371
- UNIFORM SYSTEM OF ACCOUNTS 373
- INCOME STATEMENT (USAR) 374
- ANALYSIS OF SALES/VOLUME 378
 - Other Factors Influencing Sales Analysis 380
- ANALYSIS OF FOOD EXPENSE 381
 - Food Inventory Turnover 383
- ANALYSIS OF BEVERAGE EXPENSE 385
- ANALYSIS OF LABOR EXPENSE 387
- ANALYSIS OF OTHER EXPENSE 389
- ANALYSIS OF PROFITS 391
 - Apply What You Have Learned 394
 - Key Terms and Concepts 395
 - Test Your Skills 395

CHAPTER 10 PLANNING FOR PROFIT 402

- FINANCIAL ANALYSIS AND PROFIT PLANNING 403
- MENU ANALYSIS 403
 - Food Cost Percentage 405
 - Contribution Margin 409
 - Goal Value Analysis 413
- COST/VOLUME/PROFIT ANALYSIS 419
 - Linking Cost/Volume/Profit Analysis with Goal Value Analysis 424
 - Minimum Sales Point 425
- THE BUDGET 428
 - Long-Range Budget 430
 - Annual Budget 431
 - Achievement Budget 431
- DEVELOPING THE BUDGET 431
 - Prior-Period Operating Results 432
 - Assumptions of Next-Period Operations 432
 - Establishing Operating Goals 433

MONITORING THE BUDGET 436

Revenue Analysis 436

Expense Analysis 438

Profit Analysis 443

Apply What You Have Learned 445

Key Terms and Concepts 445

Test Your Skills 446

**CHAPTER 11 MAINTAINING AND IMPROVING
THE REVENUE CONTROL SYSTEM 458**

REVENUE SECURITY 459**EXTERNAL THREATS TO REVENUE SECURITY 460**

Use of Cards as Bill Payment 462

INTERNAL THREATS TO REVENUE SECURITY 465

Cashier Theft 468

Bonding 469

DEVELOPING THE REVENUE SECURITY SYSTEM 471

Step 1. Verification of Product Issues 473

Step 2. Verification of Guest Charges 474

Step 3. Verification of Sales Receipts 477

Step 4. Verification of Sales Deposits 482

Step 5. Verification of Accounts Payable 483

THE COMPLETE REVENUE SECURITY SYSTEM 485

Apply What You Have Learned 487

Key Terms and Concepts 487

Test Your Skills 488

**CHAPTER 12 GLOBAL DIMENSIONS
OF COST CONTROL 491**

MULTINATIONAL FOODSERVICE OPERATIONS 492**MANAGING IN A GLOBAL ECONOMY 492**

Language 493

Local Government Entities 494

Facilities 494

xvi Contents

Employees 495

Suppliers 495

COST CONTROL CHALLENGES IN GLOBAL OPERATIONS 495

Operational Challenges 497

Cultural Challenges 500

Financial Challenges 502

Technological Challenges 504

Monitoring Developments in Cost Control Technolog 506

THE FINAL WORD 509

Apply What You Have Learned 510

Key Terms and Concepts 510

Test Your Skills 510

Glossary 513

Bibliography 527

Index 531

INDEX

- ## A
-
- ABC inventory
 - analysis, 194f
 - control, 192-197
 - items, management (guide), 195f
 - Acceptable variance, 220-221
 - Acceptance hours, 92
 - Accounting period, 18
 - Accounts payable, verification, 472, 483-484
 - Accounts receivable, 482
 - Achievement budget, 431
 - Actual food expense, determination, 110-119
 - Actual labor cost, budgeted labor cost (contrast), 324f
 - Actual product costs, determination, 210-214
 - After-tax earnings, 374
 - After-tax profit goal, example, 423
 - Aggregate statement, 377
 - Alcoholic beverages
 - classifications, 135-136
 - consumer preferences, 151
 - service, responsibility, 136
 - serving, 133-141
 - operations, grouping, 133
 - All-you-can-eat buffets, selling price calculation, 253
 - All-you-can-eat option, selection, 257
 - Ambiance, 246-247
 - Annual budget, 431
 - Annual earned vacation time, global comparison, 496f
 - Anticipated sales, understanding, 30
 - As need method, usage, 70
 - As Purchased (AP), product delivery, 214
 - Attainable food cost, 219-220
 - example, 219f
 - Attainable product costs, determination, 210, 217-221
 - Average inventory values, 383-385
 - Average paper product cost, 353f
 - Averages, computation, 33-36
 - Average sales per guest. *See* Future average sales per guest
 - determination, 36
 - forecast. *See* First-quarter average sales per guest forecast
 - Average/weighted average row, example, 406
- ## B
-
- Back door, 90
 - Background checks, 284-285
 - Bank cards, usage, 463
 - Bank deposits, management verification, 482
 - Banquet
 - event, order/invoice (example), 481f
 - operations, 207
 - Banquet-style meals, selling price calculation, 253
 - Bar inventory levels, 189
 - Bar system. *See* Total bar system
 - Bartenders, problems, 208-209

- Bar transfers, 159-161
- Beer
 - alcoholic beverage, 135
 - brand selection, 145-146
 - packaging, 146
 - sales
 - example, 138f
 - forecasting, 137-138
 - storage, 156
- Beer products to carry, determination, 145-147
- Before-tax profit goal, example, 423
- Beginning inventory, 111
 - ending inventory, comparison, 118
- Benefit programs, increases, 389
- Beverage
 - computing cost, 161-162
 - consumption report, 262f
 - expense
 - analysis, 385-386
 - categories, adjustment, 386
 - gun, 204
 - issuance, concerns, 184-187
 - issues recap, 187f
 - operations
 - costs, relationship, 342-344
 - procedure control, 142
 - operations, cost reduction (relationship), 355-358
 - percentage report, 165f, 166f
 - POS system, power, 141
 - pricing, management, 236
 - purchase order, 154
 - receiving checkpoints, 155
 - sales, forecasting, 137
 - serving locations, 164-165
- Beverage and entertainment/activity, 133, 135
- Beverage and food only operation, 133, 134
- Beverage cost, 7
 - competition, 143f
 - equations, 15
 - management, 132
 - percentage, sales mix (impact), 225f
- Beverage only operation, 133-134
- Beverage production
 - area, management, 202-207
 - management, 205
 - process, management, 177-181, 226
- Beverage products
 - purchasing, 144-154
 - receiving, 154-155
 - request log, 145f
 - storage, 155-159
- Bid sheet, 77
 - example, 78f
- Bills
 - guest walking/skipping, 460
 - guest walks/skips, reduction, 461f
 - payment, cards (usage), 462-464
- Bin cards, 191-192
- Blended price structure, 249f
- Blood alcohol content (BAC), 136
- Bonded employee, dishonesty, 469
- Bonding, 469-471
 - options, 469
- Bookkeeping, 372
- Bottle
 - meter, 203-204
 - sales, 205-206
- Bottled wine
 - sales, forecasting, 138-139
 - special pricing situation, 259-260
- Box cutter, 91
- Break-even point, 419-420
- Breaks, 293
- British Imperial measurement system
 - conversion, 498f
 - usage, 497-498
- Budget, 428-431. *See also* Achievement budget; Annual budget; Long-range budget
 - accuracy, 21
 - development, 431-435
 - equation, 20
 - examples, 19f, 20f, 435f
 - monitoring, 436-444
 - preparation, 429
 - rationale, 429-430
 - sales per seat, relationship, 437
 - understanding, 18-22
 - usage, rationale, 429-430
- Budgeted expense, performance (contrast), 440

Budgeted labor, 325
 cost, actual labor cost (contrast), 324f
 Buffets, special pricing situation, 256–258
 Bundling, special pricing situation, 256
 Business dining situations, 4
 Buy decisions, inappropriateness, 201–202
 Buy-one-get-one-free promotions, 482

C

Calculators, usage, 91–92
 Call liquors, 152–153
 Carryover utilization, problems, 201
 Cashier
 actions, 472
 guest payment, 479
 sales receipt verification, 477
 service personnel payment, 480
 theft, 468–469
 Cash overages/shortages, 480
 Cash sales, reporting (complexity), 503
 Certified management accountant (CMA), 372
 Change making, problems, 208
 Cherry pickers, 81
 Coca-Cola, 492
 Collusion, 470
 Combo meals, 256
 Common form, 10
 conversion, 11
 Complimentary (comp) wine, 186
 Container size, 76
 Contract price, 97
 Contribution margin (CM), 253–254, 404, 409–413
 income statement, 420
 matrix development, 410–411
 matrix results, analysis, 411f
 percentage, 415
 calculation, 421
 usage, 424. *See also* Overall operation
 Contribution margin per menu item, 254
 definition, 409
 Controllable labor expense, 279
 Controllable other expenses, 350
 Control states, 136

Convenience
 items, operational decisions, 202
 scratch preparation, contrast, 297–298
 Corks, condition, 158
 Cost
 analysis, 419–428
 consideration, 3, 8
 determination, labor category, 313–315
 monitoring, responsibility, 493
 reduction, vendor assistance, 82
 Cost control
 challenges. *See* Global operations
 effectiveness, 6
 global dimensions, 491
 responsibility, 493
 technology, developments (monitoring), 506–509
 Cost of beverage sold, 161f
 Cost of food consumed, 112
 Cost of food sold, 112
 estimation. *See* Daily cost of food sold
 formula, 111f
 variations, 112–115
 Cost of living adjustment (COLA), 388
 Cost per guest, 352f
 Cost/volume/profit (CVP) analysis, 419–428
 goal value analysis, combination, 424–425
 example, 426f–427f
 Cost/volume/profit (CVP) graph,
 example, 420f
 Counterfeit money, usage, 462
 Counting, routine, 94–95
 Coupons, special pricing situation, 256
 Credit cards
 payment form, 462–463
 skimming, reduction, 479
 verification, 464f
 Credit memo, 94
 example, 95f
 Cultural challenges, 500–502
 Current relationship, 81
 Customer service vision, communication
 (usage), 294
 Cycle menu, 240–242
 advantage, 241
 rotation, sample, 240f

D

- Daily cost of food sold, estimation, 117-119
 Daily costs (estimation), issues system (usage), 187-190
 Daily inventory sheet, 84-86
 example, 85f
 Daily menu, 239
 Daily production schedules, planning, 178-179
 Daily receiving sheet, 98-100
 Debit cards
 usage, 463
 verification, 464f
 Decimal form, 11
 conversion, 11
 Decision making, goal value analysis (impact), 417
 Delivered (supply), example, 94f
 Delivery schedules, 90, 92
 Desired profit, 3, 5, 23
 Direct operating expenses schedule, 378f
 Dispenser, meter, 203-204
 Document product request, absence, 474
 Dollar sales, determination, 422-423
 Dollar variances, 220
 Dopson, Lea, 413, 425
 Draft beer, 137
 containers, 146f
 Dramshop laws, 136
 Drinks
 recipes/portions. *See* Standardized drink
 recipes/portions
 size, impact, 223f
 watering, 208
 Dry storage, 104

E

- Edible portion (EP)
 cost, 216
 reference, 214
 weighing, 211
 Electronic funds transfer (EFT), crediting, 463-464
 Embezzlement, 482-483
 activity, prevention, 483
 Employee
 breaks, 293
 dishonesty, 466
 empowerment, 326-327
 guest defrauding, 368
 international usage, 495
 meals/training expenses/transportation costs, 277
 product issuance, document product request (absence), 474
 productivity
 factors, 280
 menu, impact, 296-297
 schedule, 323f
 scheduling, 290-293, 318-323
 selection, 281-285
 supplies, issuance, 182
 task, determination, 286-287
 theft, 207-210
 training, 285-289
 turnover, 295
 increase, 389
 Employee meal
 cost, 112
 provision, absence, 114
 Employment applications, 282-283
 Empty for full system, implementation, 184
 Ending inventory, 112
 beginning inventory, comparison, 118
 Energy tips, 358f
 Energy usage pattern, 357f
 Environmental sustainability, 6
 Equipment
 inspection report, 360f
 maintenance, cost reduction (relationship), 359-361
 usage, 90-92, 298-299
 Ethical guidelines, 83
 Ethics. *See* Purchasing
 definition, 82
 Exempt employees, 277-278
 Expense, 7-8. *See also* Revenue/expense
 analysis, 438-444
 control, 5, 8-14, 340

management, 5, 8-14, 341-345
 monitoring, 350-354
 other expenses, 8
 reduction, 354-362
 External theft, forms, 461-462

F

- Facility
 management, 4
 costs, 344
 requirement, 494
 Factor method, 62
 Fair Labor Standards Act (FLSA), 277-278
 FICA/FUTA, 277
 Financial analysis, 371-373
 profit planning, relationship, 403
 Financial assets, theft, 468
 Financial challenges, 502-503
 First in, first out (FIFO)
 stocking system, 103f
 storage system, 102f
 system, 101, 102
 First-quarter average sales per guest forecast, 46f
 First-quarter guest count forecast, 44f
 First-quarter revenue forecast, 42f
 Fiscal year, 374
 Fixed average, 33
 Fixed costs, elimination, 428
 Fixed expenses, 346-349, 404
 Fixed other expenses, 355f
 Fixed payroll, variable payroll (contrast), 278
 Fixed rent, 347f
 Food
 data, example, 439
 production
 area, management, 197-202
 process, management, 177-181, 226
 yardstick standards, development, 438-439
 Food cost, 7
 category percentage/proportion, 196f
 control, initiation, 8-14
 equations, 15
 increase, 432
 management, 55
 matrix results, analysis, 408f
 operating goal, 434
 percentage, 116-117, 221, 404-409
 differences, 382
 predetermination, 252
 reduction, 222
 sale, formula, 111f
 Food expense
 analysis, 381-385
 categories, adjustment, 386
 inventory turnover, 383-385
 issuance, 182
 pricing, management, 236
 schedule, 382f
 variation, 383f
 Food operations, costs
 reduction, relationship, 355-358
 relationship, 342-344
 Foodservice
 budget periods, 19f
 business flowchart, 4f
 establishments, menu categories, 237
 management, 222
 nonprofit sector formula, 4
 managers, uncertainty, 57
 operation, management, 21
 operators, full-time storeroom personnel, 182
 specification, information, 72
 unit, food/beverage products transfer, 113-114
 Foodservice manager
 customer contact, 2
 quality/value, delivery, 5
 Forced labor, 326-327
 Foreign language, impact, 493-494
 401(k), retirement savings program, 359
 14-day fixed average, 34f
 Fraction form, 11
 Free-pouring, 203
 Freezer burn, 106
 Freezer storage, 105
 period maximums, 66f-68f
 Future average sales per guest, 45-48
 Future guest counts, 43-45
 Future revenues, 41-43
 Future sales, prediction, 41

G

- Global economy, management, 492-495
- Global operations
- cost control challenges, 495-509
 - cultural challenges, 500-502
 - financial challenges, 502-503
 - operational challenges, 497-500
 - technological challenges, 504-506
- Goal value analysis, 404f, 413-419
- accuracy, 416
 - CVP analysis, combination, 424-425
 - data, example, 415f
 - decision-making impact, 417
 - formula, usage, 413-414
 - power, 418-419
 - results, example, 416f
 - usage, 414
- Goal value unknowns, solution (example), 418f
- Goal value variables, 418
- Goods available for sale, 111
- Grade (quality), 75
- Gratuities, amount, 478
- Green operation, 6
- Green Restaurant Association (GRA), 6
- Gross profit section, 376
- Guest check
- accountability, 474
 - control form, sample, 476f
 - control simplification, POS system (usage), 475
 - sample, 475f
 - walking/skipping, 460
 - written, requirement, 466
- Guest counts. *See* Future guest counts
- forecast. *See* First-quarter guest count forecast
 - history, 43f
 - recording, 36-38
- Guests
- best guess, 29
 - charges, verification, 471, 474-477
 - defrauding, 468, 480
 - direct billing, 480-482
 - payment methods, 479-482
 - serving, labor dollars, 304-305
 - table payment, 479-480

- types, 245
- volume, supplier reward, 81
- walks/skips, reduction, 461f

- Guests served per labor dollar, 305-306
- Guests served per labor hour, 306-307

H

- Hayes, David, 413
- High pay, slow pay (relationship), 81
- Hospitality industry, labor expense, 276-279
- Hosted bars, 206
- Hotel operating results, example, 9f
- Huffman, Lynn, 413
- Hydrometer, usage, 208

I

- Ideal expense, 5, 23
- Income statement (profit and loss statement), 374-378
- appearance, 376
 - average inventory values, 384f
 - conversion, 420
 - example, 16f, 375f
 - food expense
 - schedule, 382f
 - variation, 383f
 - importance, 17
 - labor cost, 387f
 - other expenses, 390
 - performance information, 429
 - purpose, preparation, 17
 - sales comparison, 379f
 - sales variance, 379f
 - understanding, 14-17
 - value, 22
- Ingredients
- conversion table, 213f
 - room, 182
- Insurance costs, 277
- Intended use, 76
- Interface, restaurant management, 463
- Interviews, 283

- Inventory. *See* Beginning inventory; Ending inventory
- average values, 384f
 - control, 64-70, 190-197. *See also* ABC inventory control
 - dollars, value, 69-70
 - example, 196f-196
 - items, categorization, 192
 - turnover, 383
 - valuation sheet, 108, 110
 - example, 109f
 - value, determination, 107-110
- Inventory levels
- as-needed method, usage, 70
 - determination, 64-70
 - par level, usage, 70-71
- Invoice number, 98
- Invoice unit price, purchase order unit price (matching), 97
- Involuntary separation, 295
- Issues system, usage, 187-190
- Item amount, 108
- Item perishability, 65-68
- Item sales. *See* Menu item
- Item value, 108-110
 - determination, LIFO/FIFO (usage), 108

J

- Jigger
- measurement, 143
 - pour, 203
- Job description, 281-282
- Job specification, 282
- Just-in-time method, usage, 71

K

- Keg beer, 137
- Key holder, designation, 107
- Kilowatt hours (kwh), 357
- Kimes, Sheryl E., 308
- Kitchen-related theft, reduction, 210
- Kotschevar, Lendal, 417

L

- Labor
- data, example, 441f
 - schedule checklist, 325f
 - standards, results (analysis), 323-325
 - yardstick standards, development, 440-442
- Labor cost, 7-8, 344
- example, 387f
 - increase, 432
 - management, 275
 - operating goal, 434-435
 - reduction, 359
- Labor cost percentage, 300-303
- control, 300
 - example, 313f
 - formula, usage, 301-302
 - report, example, 301f-303f
 - summary, 316f
- Labor dollars per guest served, 304-305
- Labor expense, 276-279. *See also* Controllable labor expense; Noncontrollable labor expense
- analysis, 387-389
 - definition, 276-277
- Labor productivity
- evaluation, 279-280
 - measurement, 300-315
 - determination, 314
- Labor-related costs, reduction, 325-327
- Labor-related expenses
- control, 309
 - reduction, 326f
- Language, impact, 493-494
- Last in, first out (LIFO)
- storage system, 102f
 - system, 101
- Last-year operating results, example, 432f
- License states, 136
- Liqueurs, specific gravity, 163f
- Liquor. *See* Call liquors; Premium liquors; Well liquors
- cost percentage, drink size (impact), 223f
 - inventory, features, 162-164
 - inventory by count, 163
 - inventory by measure, 163-164

Liquor. *See* Call liquors; (*continue*)
 inventory by weight, 162-163
 replacement, empty for full system
 (implementation), 184
 requisition, example, 185f
 storage, 158-159
 storeroom issues, 184-185
 Loan charges, carrying cost, 81
 Local competition, 244
 Local government entities, impact, 494
 Location, 90-91
 Long-range budget, 430
 Loss leaders, 416

M

Make decisions, inappropriateness,
 201-202

Management

sales receipts, verification, 477
 task, checklist, 2f

Matrix menu analysis, 418-419
 usage, 412

McDonald's, 492

Meal period, 247

Meals served, operating goal, 434

Measures, conversion, 63

Menu. *See* Cycle menu; Daily menu;
 Standard menu

categories, 237
 engineering, 412
 formats, 237-242
 impact, 296-297
 local competition, 244
 pricing, factors, 242-250
 specials, 242

Menu analysis, 403-419

matrix, 407
 methods, 404f
 worksheet, example, 405f

Menu item, 137

contribution margin percentage, 415
 forecasting, 56
 profitability, evaluation, 414
 rows, equations, 406

Menu item sales
 forecasting, 58f
 history, 57f

Menu price

assignment, 251-255
 establishment, 254
 factors, 244f
 increase, P&L sales comparison, 380f

Merchant service provider (MSP)

charges, 479
 interface, 463

Metered bottle/dispenser, 203-204

Miniature bottle (mini bottle), offer, 151

Minibars, 205

Minimum operating cost, 428

Minimum order requirement, 79

Minimum sales point (MSP), 425-428
 sales levels, comparison, 427-428

Minimum staff, usage, 278

Mixed other expenses, 346-349

Mixed rent, 348f

Monetary unit, 502

Morale, 293-296

MSP. *See* Merchant service provider; Minimum
 sales point

Multinational foodservice operations, 492

N

Net income, identification, 374

Next-period operations, assumptions, 431,
 432-433

Noncontrollable labor expense, 279

Noncontrollable other expenses, 350

Nonoperating expenses section, 376

Nonsufficient funds (NSF), 462

O

Occupancy costs, 344-345
 reduction, 362

On sale items, 81

On-the-job (OJT) training, 287-288

Open bars, 206

Open checks, 468
 Operating calendar, 69
 Operating expenses section, 376
 Operating goals, establishment, 433-435
 Operation
 average, 412
 green level, 6
 Operational challenges, 497-500
 Operational efficiency ratios, 220
 Operational expense, yardstick method (usage), 442
 Ordered (supply), example, 93f
 Order filling, problems, 207
 Orientation program, 285
 information, 285-286
 Other expense cost per guest, 350-351
 Other expenses, 8, 342
 analysis, 389-391
 cost percentage, 350-351
 example, 390f
 increase, 432
 monitoring, 350-354
 operating goal, 435
 reduction, 354-362
 Overall operation, contribution margin (usage), 420-421
 Overcooking, 198-199
 Overportioning, 199-201. *See also* Service personnel
 Overpouring, 208
 Overtime, payment, 323
 Oxidation, occurrence, 158

P

Packaging information, 75-76
 Paper products, six-column cost, 353f
 Par level
 determination, 71
 method, 70-71
 Parties, beverages (usage), 260-263
 Payment card security, improvement, 464
 Payment price, 77-80
 Payroll, 277-278
 contrast, 278

costs, management, 315-325
 taxes, increases, 389
 Percent
 computation, 11-12
 example, 12f
 conversion, 11
 expression, forms, 10f
 review, 10-11
 selecting, 137
 usage, 12-14
 Percentage method, 62-64
 example, 63f
 Percentage variance, 220
 calculation, 40-41
 Performance, budgeted expense (contrast), 440
 Performance-to-budget summary, 20f
 Per-item prices, reduction, 82
 Perpetual inventory, 190-192
 cards, 192
 Personal checks, payment problems, 462
 Physical inventory, 190-192
 Plate costs, 253
 Point of sales (POS) system, 29
 analysis, 46
 data review, 137
 electronic tally, 468
 hard copy, usage, 473
 interface, 464
 numbers, usage, 466
 programming, 372
 report. *See* Revenue
 terminal, usage, 467
 usage. *See* Guest check
 void key, usage, 469
 Popularity, 404, 412
 index, 57
 Portion size, 246
 checking, 200
 decrease, 223
 establishment, 199-200
 price, increase, 225-226
 Pouring. *See* Free-pouring; Overpouring; Underpouring
 Precheck/postcheck POS system, usage, 477
 Precheck/postcheck system, 467
 Predicted number to be sold, 58

- Preemployment testing, 283-284
- Premium liquors, 152
- Price
- blending, 247-248
 - concept, 249-250
 - comparison sheet, 77
 - example, 79f
 - extensions, verification, 97-98
 - increase, alternative results, 243
 - location, impact, 247
 - product characteristics, 97
 - structure
 - blended characteristic, 249f
 - unblended characteristic, 248f
- Price/value relationship, 243
- Pricing
- factor table, 252f
 - special situations, 255-263
 - unit, 74
- Prior-period operating results, 431
 - examination, 431-432
- Processing information, 75-76
- Producer container net weights, 74f
- Product cost, 353f
 - determination, 210-221
 - percentage, 251-255
 - reduction, 221-226
- Production
- margin of error, 179
 - process, steps, 178
 - schedules, 178-181
 - example, 180f
- Productive workforce, maintenance, 280-299
- Productivity
- measures, summary, 310f
 - ratio, 279
 - measurement, 316
 - scheduling, impact, 292f
 - report. *See* Six-column daily productivity report
- Productivity standards
- definition, 315-316
 - determination, 315-317
 - information basis, 317
- Products
- characteristics, verification, 92-97
 - charge, theft, 207
 - contribution margin, 253-255
 - delivery, As Purchased, 214
 - dilution, 208
 - direct delivery, 95
 - issuance, 181-190, 473
 - issues
 - development, 471, 473-474
 - guest charges, equivalence (requirement), 474
 - name, 73
 - placement, 101-103
 - purchase/sale, 225
 - quality, 245-246
 - adjustment, 224
 - maintenance, 105-106
 - requisitioning, 182
 - rotation, importance, 156
 - safety, maintenance, 105-106
 - security
 - advice, 210
 - maintenance, 106-107
 - storage label, 103f
 - subcategories, determination, 195
 - substitution, 208-209
 - theft, 208
 - yield, 77, 214-217
- Product specifications (specs), 71-72
 - example, 73f
- Professional trade associations, continuing education, 507
- Profit
- analysis, 391-393, 419-428, 443-444
 - formula, modification, 14
 - margin formula, usage, 391-392
 - operating goal, 435
 - planning, 402
 - financial analysis, relationship, 403
 - result, 4
 - service reward, 3-5
- Profitability, theft (impact), 106-107
- Profit and loss statement. *See* Income statement
- Profit-oriented formula, 3
- Publications, continuing education, 507-508
- Public Company Accounting Reform and Investor Protection Act, 372-373

- Purchase item
 - determination, 71-77
 - preprinted list, 84
- Purchase order (PO)
 - advantages. *See* Written purchase order
 - example, 87f-88f
 - information, 86
 - preparation, 86-89
 - receiving clerk access, 97
 - unit price, invoice unit price (matching), 97
- Purchase point, setting, 70-71
- Purchases, 111
- Purchase size, increase (potential savings), 68
- Purchasing, 71-77
 - ethics, 82-84
- Purchasing power, decrease, 9

Q

- Quality
 - deficiencies, 96
 - product characteristics, 94-96
- Quantity (product characteristics), 94-95
- Quick-change artist, impact, 461-462
- Quick Service Restaurant (QSR)
 - bill payment forms, acceptance, 462-464
 - franchisor, 492
 - payment collection, 460
 - value, usage, 416-417
- Quick-service situation, 299

R

- Ratios, calculation, 376-377
- Recap sheet, 113f, 115f
- Receiving, 89-100
 - record, 98-100
 - report, example, 100f
 - sheet. *See* Daily receiving sheet
- Receptions, beverages (usage), 260-263
- Recipes
 - adjustment, 61
 - composition, variance, 223-224
- Recipes, standardization, 59-61
 - example, 60f
 - system, incorporation reasons, 61
 - usage, arguments, 60
- Recodable electronic locks, 156
- Records area, components, 92
- Reference checks, 284-285
- Refrigerated storage, 104
- Refrigeration maximums, 66f-68f
- Restaurant Industry Operations Report*, 390
- Results analysis, income statement (usage), 370
- Retraining, 288-289
- Return on sales (ROS), 391-393
- Revenue. *See* Future revenues
 - amount, generation (POS system report), 37
 - analysis, 436-438
 - budget summary, example, 436f
 - collection situations, 482
 - consideration, 5-6
 - control system, maintenance/improvement, 458
 - forecast, 42-43. *See also* First-quarter revenue forecast
 - generation, impact, 32
 - history, 42f
 - operating goal, 434
 - percentage, costs/profit examination, 16f
 - recording, 36-38
 - seats, relationship, 437
 - shortage, reasons, 459-460
- Revenue/desired profit equation, 5, 13
- Revenue/expense
 - equations, 3, 12-13
 - equivalence, 4
 - management, 1
- Revenue per available seat hour (RevPASH), 308-310
 - exception, 314
- Revenue security, 459-460
 - external threats, 460-465
 - formulas, 459
 - internal threats, 465-471
 - system, 485
 - development, 471-484
 - threats, 459
- Rolling average, 33-36
 - example, 35f

S

- Salad bars/buffers
 product usage, 258f
 special pricing situation, 256-258
- Salaried employee, income, 277
- Sales
 analysis, 378-381
 factors, 380-381
 comparison, 379f
 consideration, revenue generation (impact), 32
 data, example, 381f
 deposits, verification, 472, 482-483
 determination, POS system (usage), 31
 forecasting, importance, 29-30
 forecasts
 advantages, 31f
 determination, 28
 levels
 example, 35f
 popularity, 412
 mix, 164-167
 achievement, 224-225
 data, sample, 250f
 point. *See* Minimum sales point
 prediction. *See* Future sales
 receipts
 report, example, 478f
 verification, 472, 477-482
 record, 460f
 variances, 39-41
 equations, 40-41
 example, 39f-40f, 379f
- Sales history, 30-33
 averages, computation, 33-36
 examples, 31f, 32f, 36f, 39f-40f
 maintenance, 38
- Sales per guest, percentage calculation, 421
- Sales per labor
 hour, 303-304
 variation, 304
- Sales per seat, budget basis, 437
- Sales per square foot, 437-438
- Sales volume
 achievement, 428
 decrease, 438
 forecast, 317-318
 increase, 349
- Sarbanes-Oxley Act (SOX), 372-373
- Scales, types, 91
- Schedules, alternatives, 291f
- Scheduling, 290-293
 efficiency, 292
 impact, 292f
- Scratch preparation, convenience (contrast), 297-298
- Selling price (SP), 404
 increase, 260, 302
 percentage calculation, 421
- Separated, term (usage), 295
- Server theft, occurrence, 466
- Service employees, theft, 470f
 minimization, 470f
- Service levels, 244-245, 299
- Service personnel
 dishonesty, 467
 fraud, 466-467
 guest payment, 480
 overportioning, 199
- Seven-day rolling average, example, 35f
- Shelf life, 65f
- Shorting, 94
- Sick leave benefits, 359
- Six-column beverage cost estimate, 188f
- Six-column daily productivity report, 311-312
- Six-column food cost estimate, 119f
- Six-column form, 117f
- Six-column labor cost percentage, 311
- Six-column labor productivity form, 312f
- Slow pay, high pay (relationship), 81
- Special pricing situations, 255-263
- Specs. *See* Product specifications
- Spirits
 alcoholic beverage, 135
 bottle sizes/capacities, 152f
 cost percentage, 153f
 products, carrying determination, 151-153
 sales
 forecasting, 140-141
 tracking, 140

Split-shift, usage, 292
 Spotter, usage, 209
 Staffing
 guide, 318f
 service personnel, implications, 32
 Standard cost, 324-325
 Standardized drink recipes/portions, 141-144
 Standardized recipes, 59-61
 costing, 214
 cost sheet, 211
 example, 212f
 example, 60f
 information, 59
 system, incorporation reasons, 61
 usage, arguments, 60
 Standard labor, 325
 Standard menu, 237-239
 advantages, 237-238
 disadvantage, 238-239
 Standard operating procedure (SOP), 341
 enforcement, 286-287
 Standard (quality), 75
 Stock outages, relative importance, 69
 Storage, 100-110. *See also* Dry storage; Freezer storage; Refrigerated storage
 areas, 99, 103-105
 cleanliness, 156
 basics, 105
 capacity, 65
 items, preprinted list, 84
 label, 103f
 product placement, 101-103
 Stored products location, access control, 107
 Storeroom requisition, 183f
 Supervision, 289-290
 Suppliers
 impact, 96
 international operation, 495
 minimum order requirement, 79
 name, 98
 prices, variation, 80-81
 Supply chain, dependability, 495
 Supply steadiness, ensuring, 80-82
 Supporting schedules, 377

 T

Take-home pay, 374
 Taxes, control, 376
 Technological challenges, 504-506
 Technology
 complexity, 505
 cost, impact, 504-505
 developments, monitoring, 506-509
 products, selection, 504
 reliability, 506
 system, warranty/maintenance, 505
 upgrading, 505-506
 Thermometer, 91
 Third-party liability legislation, state enactment, 136
 Tip-outs, amount, 478
 Tools, usage, 90-92, 298-299
 Total available seat hours, calculation, 309
 Total bar system, 204-205
 Total cost, 99
 Total variable costs, determination, 414
 Trade shows, continuing education, 507
 Training, 90, 92-98, 285-289. *See also* On-the-job training; Retraining programs, elaborateness, 286
 Training session
 effectiveness, evaluation, 288
 plan, 287
 presentation, 287-288
 Transfer record, example, 160f
 Travel and entertainment (T&E) cards, usage, 462-463
 Turnover. *See* Employee expense, 296
 syndrome, counteraction, 296
 28-day period approach, 19
 Two-dimensional matrix analysis, 413-414
 Two-key system, usage, 155-156

 U

Unacceptable variance, 220-221
 Unblended price structure, 248f

Underpouring, 208
 Uniform System of Accounts, 17, 373
 facets, 376-377
 Uniform System of Accounts for Restaurants
 (USAR), 342, 373-378
 components, 376
 Unit price, 99
 User work station, usage, 467

V

Value meals, 256
 Value pricing, 413
 special pricing situation, 256
 Value usage, continuation, 416-417
 Variable costs (VC), percentage calculation, 421
 Variable expenses, 346-349, 404
 percentage, 348
 Variable other expenses, 355f
 Variable payroll, fixed payroll (contrast), 278
 Variable rent, 347f
 Vendors
 continuing education, 508
 contrast, 82
 delivery schedule, 68
 invoice, legitimacy (verification), 483-484
 product, absence, 96
 scams, avoidance, 484
 Void key, usage, 469
 Volume
 analysis, 378-381, 419-428
 projections, results (analysis), 323-325
 Volume guests, supplier reward, 81
 Voluntary separation, 295

W

Waste, 197-198
 percentage, 215
 determination, 217

Weighted average, example, 38f
 Weight (product characteristics), 93-94
 Weight range/size, 74
 Weights, conversion, 63
 Well liquors, 152
 Wheeled equipment, 91
 Wine
 alcoholic beverage, 135
 bottle sizes, 148f
 cellar, issues, 185-187
 containers, sale determination, 147
 cork condition, 158
 light, impact, 157-158
 lists, 148-151
 sample, 149f
 oxidation, occurrence, 158
 pricing, 259
 products, carrying (determination),
 147-151
 sales, forecasting, 138-139. *See also* Bottled
 wine
 storage, 157-158
 temperature, 157
 Wine-by-the-glass sales, forecasting, 139
 Workers' compensation, 277
 Written guest check, requirement, 466
 Written purchase order, advantages, 86, 89

Y

Yardstick method, 438-439
 Yardstick standards, development.
 See Labor
 Yield percentage, 214-216
 determination, 217
 Yield test, 214
 results, example, 215f