	<b>RESOURCE LIBRARY</b> <b>Inventory – Receiving – Cost Control</b> <b>F&amp;B Cost Control; Inventory</b>	<b>CODE:</b> 05.02.017
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## PURPOSE

To ensure food and beverage inventories are in accordance with the policy of the hotel management as outlined below.

## POLICY

Food and beverage inventories are, until they are consumed, assets of the company. Therefore, they must be kept in secure areas and in conditions, which will maintain them to the standard of quality required by the hotel.

Inventory levels should be kept to the minimum allowable by the operation so as to reduce the risk of loss, damage, theft or wastage. Overstocking represents an inefficient use of working capital.


## PROCEDURE

### a) RECEIVING

1. For all items received by the hotel, there are certain basic rules, which must be adhered to by the receiving clerk.
2. These are:
  - No goods should be accepted without evidence that an authorised purchase order has been raised.
  - Goods delivered should be checked to ensure they match the order in terms of both quality and quantity before being accepted. In this context, purchase orders include the "Daily Market List" and the "Weekly Grocery List" and checking is conducted by inspection, counting and weighing.
3. In the case of food items, however, the checking of quality is particularly important and should not be left to receiving personnel only. The Executive Chef and his department should inspect goods as they arrive to ensure suppliers are sending products of the correct quality.
4. The F&B Cost Controller should also make spot checks to ensure both receiving and the food department is carrying out such routine procedures in terms of weighing and counting of goods received and the matching of specifications with the order.

### b) INVENTORY RECORDS – RECEIVING

1. The F&B Cost Control Department needs to record the movement of inventories in order to control it and produce the reports required by management.
2. After verification of goods delivered, the receiving documents (delivery note or invoice or both) should be matched with the computerised or manual purchase order and input accordingly.
3. At the end of the day, these delivery documents should be grouped and summarised. There should be a different summary form for food, beverage and other supplies. Each summary should list the supplier name, a delivery note reference and the value of the delivery note.
4. The food summary forms should distinguish between food going to the kitchen (direct issues) and that going to the storerooms (inventories). Where possible the types of storeroom should also be differentiated; e.g. dry goods store, cold room and freezers.

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5. The beverage summary forms should similarly distinguish between beverage, tobacco (when in the procedures of the hotel this is considered part of the beverage inventory) and containers since the values associated with these items will be recorded separately.
6. The routine procedures for receiving require the delivery notes and summary prepared by the receiving clerk to be sent ultimately to the accounts payable section. In the case of food and beverage they should first go to the F&B Cost Controller.
7. The F&B Cost Controller should check the quantity and price of the goods received against a copy of the purchase order. They should also make a note of any price movements and where appropriate (manual system), update inventory records. Usually price change reports can be produced from the purchasing module.
8. The F&B Controller will also use this information to produce the "Daily of Food Cost Flash Report".

### c) PHYSICAL STORING

1. Once the receiving clerk has accepted goods, they should be taken immediately to the location in the hotel where they are to be stored. This will be the kitchen, storeroom or the cellar.
2. A member of the hotel staff should ordinarily do the transfer from the goods receiving area. In locations where the transfer is done by the supplier proceed according to relevant policy.
3. Personnel responsible for their custody should check they have received all items accepted as delivered by the receiving clerk. A copy of the delivery note or documentation issued by the receiving clerk should accompany the goods to the store area. This document should then be signed as acknowledgement of the receipt and passed to F&B Cost Control for verification with the receiving clerk's work.
4. The conditions under which food and beverage are stored are of great importance. Food and beverage inventories are generally perishable, desirable and can be of high value. They are also intended for human consumption. Therefore controls should be established covering:
  - Security
  - Climatic control
  - Hygiene
5. Storage areas should be kept locked when not attended by the relevant custodian. A system of signing for the store keys should exist.
6. Temperature and lighting conditions should be appropriate to the item being stored. Cold rooms and refrigerators should be fitted with temperature gauges and regular readings should be taken also by the engineering department since they would also be the personnel to be called upon to rectify any faults.
7. Frozen goods are to be stored in a freezer immediately in order not to be allowed to defrost, as the product may undergo bacteriological changes, causing food poisoning on consumption. As a guide, the following temperatures are required for the storage of the following items:

General Produce	+5 °C
Fresh Meat	+2 °C
Frozen Meat	-22 °C
Ice Cream Boxes (Service)	-9 °C


The Executive Chef should define the precise temperatures according to local conditions. Where a product has completely thawed, it must never be refrozen.

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8. In terms of hygiene, the points which should be addressed are:
  - Storerooms, including the shelving should be cleaned regularly
  - Shelving should be made of a non-corrosive material such as stainless steel or plasticised covering
  - No items should be stored directly on the ground, bulk items such as sacks of flour, sugar etc. should be loaded on wooden pallets
  - Care should be taken over what is stored together, e.g. meat and dairy products in the same store is a health hazard
  - There should be pest control treatment to prevent infestation
9. Of particular importance from a cost control point of view is to ensure there is a proper rotation of inventories to ensure the "First in-First Out" principle is adhered to. This can be achieved by marking containers with their date of receipt and checking that new receipts are not stored in front of existing inventory in the bays.
10. The F&B Controller to ensure these procedures are being carried out should undertake regular inspections of the storeroom areas. The Controller should also visit the storerooms on a periodic basis.

#### **d) INVENTORY RECORD STORES**

1. The computerised inventory system is used to record the following information:
  - The date of receipt of the inventory
  - The quantity received
  - A reference to the delivery documentation
  - The unit cost of the receipt
  - The date of issue of the inventory
  - The quantity issued
  - A reference to the issue documentation
2. The storekeeper should keep these records up to date on a daily basis so as to be able to identify the balance of each item on request.
3. The F&B Cost Controller should spot check the storeroom records to ensure all stock is being accounted for. This is achieved by reconciling the movement of selected items with records of issues and receipts.
4. Meat tags should be used for whole carcasses of meat or other high value bulk purchases, such as cases of lobster. The items to be tagged should be determined by F&B management in each location.
5. The tags should be attached to the carcass or case at the time of receipt rather than when put into the store. They should record the following information:
  - The date of receipt
  - The supplier name
  - A description of the item being tagged
  - The weight
  - The unit cost (per kg) and the total cost
6. The tags will effectively be the main control record for generally high cost items and they should be pre-numbered. The responsibility for the sequential controls rests with the F&B Controller.
7. The tags need to have two sections. The first will remain attached to the carcass or case at all times, the second will be sent to the Cost Controller by the storekeeper at the time of issue.
8. F&B Cost Control should ensure that where they have matched the two sections of the tag passed to that office, there is a requisition for that particular item. The Cost Controller should also undertake regular

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reconciliation of the meat held in the storeroom by checking they exist where he has not received the second copy of the tag from the storekeeper.

#### e) INVENTORY COUNTS

1. A full count of all inventories should be performed monthly. Kitchen inventories, excluding meat tags should be based on a par stock value and reviewed when appropriate, or at least on a six monthly basis.
2. Personnel not ordinarily responsible for the custody of the goods should supervise this, ideally the F&B cost control staff.
3. The Financial Controller should oversee the procedures and be satisfied that the counts are prepared properly, particularly with regard to the "cut-off" and that all movements of inventory through receipts, issues or sales have been accurately recorded.
4. The counts should be recorded on printouts, which should list all known items of inventory. Other items of inventory found during the count should be recorded and investigated.
5. Teams of two people, one counter and one checker should perform the counts. The checker should record the count on the inventory sheets and both the counter and checker should sign the completed inventory count sheets.
6. The Cost Controller should compare the system inventory balance with the count balance and investigate any differences, which may arise.
7. The completed inventory sheets should be valued at the actual cost for those high value items where this is known. For other items, the latest cost should be used. If the "first in-first out" principle is being adhered to and ordering is being properly controlled, then this cost should equate to the majority of the inventory on hand.
8. The result of the inventory count should be used in computing the cost of sales for the month end management reports.

#### f) ISSUING

1. Controls must exist to ensure goods, which have been received into stores cannot be issued without proper authorisation.
2. The general procedures for issues in terms of the F&B Department are:
  - Goods will only be issued against a signed requisition form
  - The signature should be that of the department head
  - All issues must be put on requisitions
  - Stores should only be open for issues at specific times of the day to instil a degree of discipline into the requisitioning departments
3. Bars can be controlled effectively by adopting a par level basis for replenishment. A bar in this context is defined as a store of beverage items outside the cellar, as opposed to a sales outlet. It is possible for one bar such as the "service bar" to service more than one outlet.
4. The par level involves establishing a standard number of bottles for each type of spirit, liqueur or aperitif that should form the opening level at the start of each day's business. The minimum quantity for each is normally two bottles but for extremely slow items, one bottle may be acceptable provided there is a provision for replacement in an emergency. It is not necessary to have a bottle par level for minerals and beers but this may be established on a case or dozen bases.

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5. The bar staff will obtain from the cellar the inventory necessary to replace that inventory which has been sold previously. While the intention is to return the inventory in the bar to "par", in practice this does not happen because there will usually be partially used bottles in the bars. The number of bottles will be at par however.
6. Bottles of spirits should be stamped by the storekeeper to uniquely identify to which outlet the bottle was issued. To obtain a replacement the outlet must produce the empty bottle with the correct stamp. The empty bottles should be destroyed or the stamp cancelled.
7. This is done to try to prevent the unmonitored transfer of bottles between bars and also as a deterrent to the sale of non-hotel goods through the hotel bars. The stamp should have a date which signifies the date of issue: During their inspection tours and spot checks on the bars, the F&B Manager and the F&B Controller should review the stamps on the bottles. This can be an aid to identifying unmonitored transfers and also slow moving items.
8. Wines sold by the glass should be treated in the same way as aperitifs and for those dispensed on a bottle basis, there should be a standard number of bottles available for sale through the outlets outside of the main cellar.
9. There will also be a requirement for transfers on inventories between food departments and beverage departments. These should be recorded on a specific type of requisition known as a transfer.

#### **g) INVENTORY RECORDS – ISSUING**

1. The requisitions submitted by the user departments should form part of the F&B Cost Controller's records.
2. On a daily basis, the storekeeper should issue the requisitions submitted to them according to the inventory system.
3. At the end of each day, the requisitions should be passed to the Cost Controller who should verify the cost requisitions to that provided by the inventory system for each requisitioning department as well as a value for each item requisitioned.

The Cost Controller should use the reconciliation to reconcile and monitor the movements of food and beverage and also produce reports for management.