	RESOURCE LIBRARY Inventory – Receiving – Cost Control F&B Cost Control; Reporting	<i>CODE:</i> 05.02.021
		<i>EDITION:</i> 1
		<i>PAGE</i> 1 OF 4

PURPOSE

To identify the reports, which should be prepared for the proper monitoring of F&B costs.

POLICY

The F&B Cost Controller should provide management with reports which show if costs are in line with targets set and if not, they should identify the area in which the variance has occurred.


PROCEDURE

a) FLASH FOOD COST REPORT

1. The flash food cost report gives an indication of the cost of sales during the period. It is not a precise measurement of the cost and no inventory count is required.
2. The source of data for this report will be_
 - The total food revenue from the daily revenue report
 - The total of direct receipts into the kitchen as shown on the receiving clerk's summary
 - The total of requisitions into the kitchen and food outlets as shown on the storekeeper's summary
3. The report should be produced on a daily basis and should show a result for the day and a result for the cumulative period to date. Because of the distorting effect of direct receipts, the cumulative result is of greater significance.
4. The food cost as derived from the latter two points in 2 above is on a gross basis. The report should also note the budgeted results for the period, which will have been calculated on a net basis and therefore there will have to be an element of interpretation on the part of management. To assist in making the adjustment from gross to net, the variance between net and gross as calculated in the previous accounting period should also be shown.
5. The food flash cost report should be distributed to the F&B Manager and the Executive Chef no later than 10 a.m. the following working day.

b) FOOD COST RECONCILIATION

1. A reconciliation of the cost of sales should be prepared to take account of those items which are not recorded as part of the flash cost reports, such as:
 - Cost of officers meals and drinks in the outlets
 - Inventory which has been issued but which has not been sold (e.g. banquet preparation)
 - Food & Beverage which has been spoilt or damaged through poor storage
 - Variances arising as a result of the inventory count
2. The gross cost of sales is derived from:

	RESOURCE LIBRARY Inventory – Receiving – Cost Control F&B Cost Control; Reporting	CODE: 05.02.021
		EDITION: 1
		PAGE 2 OF 4

Opening inventory (per inventory count of the previous period)

Add: purchases (per goods receiving records)

Less: closing inventory (per inventory count of the current period)

3. This gross cost should be adjusted for items, which affect the cost either as additions to or deductions from cost of sales. For food these would be:

Addition to cost of sales:

- Transfers in (beverage items used in food production)

Deductions from cost of sales:

- Transfers out (food items used in the bars)
- Employee meals in the employee cafeteria
- Officers checks (cost of meals consumed by management in the food outlets)
- Entertainment checks (cost of meals consumed by management and guests as a promotional activity)
- Steward sales (food sold to employees from the storeroom)
- Spoilage (cost of food disposed of because it is not up to standard)

4. The result after these adjustments are accounted for is a net cost of sales. This should be expressed as a percentage of the sales for the period and compared with the potential cost percentage.

c) BEVERAGE COST RECONCILIATION

1. The procedure for the beverage cost reconciliation should be the same as for the food cost. The additions to and the deductions from the cost of sales will be as follows:


Addition to cost of sales:

- Transfers in (food items used in beverage production)

Deductions from cost of sales:

- Transfers out (beverage used in food production)
- Cooks beer (beverage for kitchen staff)
- Officers checks (cost of beverage consumed by management in the bars)
- Entertainment checks (cost of beverage consumed by management and guests as a promotional activity)
- Steward sales (beverage sold to employees from the storeroom)
- Spoilage (cost of beverage, especially wines and tobacco thrown away because they are not up to standard)
- Breakage (cost of items lost through broken containers)

2. In all other respects the procedures should be the same as for food.

	RESOURCE LIBRARY Inventory – Receiving – Cost Control F&B Cost Control; Reporting	CODE: 05.02.021
		EDITION: 1
		PAGE 3 OF 4

d) POTENTIAL COST

1. The planning stage of control is the costing of items to be sold on the basis of established recipe costs and an identified sales mix. The electronic Point of Sales "Menu Engineering Report" is currently used to tabulate this actual data.
2. Providing these original costs have been input into menu engineering and thereafter maintained and updated with the aid of the purchasing "price increase report", the potential food cost is almost complete, subject to final adjustments.

e) MONTHLY FOOD AND BEVERAGE CONTRIBUTION REPORT


1. This report generated by the back office system (if available), should form part of the monthly food and beverage reporting packages and illustrates the manner in which the food and beverage department contributes, by outlet.
2. The net sales per outlet will be taken directly from the final daily report of the relevant month.
3. Once the sales by outlet have been identified, the outlet cost of sales should be calculated in accordance with the potential cost of sales for each outlet.

The total departmental actual cost of sales will be the cost figure derived from the monthly food cost reconciliation report. By totalling the potential cost of sales by outlet and comparing this figure with the actual cost of sales for the whole department, a surplus or deficit will be arrived at, which should be detailed in the column marked "unallocated costs".

4. Variances should be within a two-point tolerance of the actual departmental cost of sales figure. If this is not the case the following actions should occur:
 - Having the individual outlet cost of sales figures, it may be apparent which outlet(s) are causing the variance. When it is not possible to separate the actual cost of sales of several outlets serviced by a single production kitchen, these outlets should be treated as one unit.
 - The database used to calculate the potential cost of sales should be re-examined in order to locate incorrect costing or entry.
5. The same procedure should be followed for beverage cost of sales; comparing the potential cost of sales by outlet with the actual cost of sales in total to produce a variance detailed in the unallocated costs column.

As the factors influencing changes in the cost of beverage sales are less volatile than in the case of food sales, the maximum permitted tolerance is half a point of the actual revenue figure.

6. The payroll burden, both salaries and wages and employees benefits should be distributed to the outlets in accordance with actual costs incurred. Non outlet costs, such as administration and stewarding, should be entered in the "unallocated costs" column.

	RESOURCE LIBRARY Inventory – Receiving – Cost Control F&B Cost Control; Reporting	<i>CODE:</i> 05.02.021
		<i>EDITION:</i> 1
		<i>PAGE</i> 4 OF 4

7. Other expenses should be distributed to individual outlets on the basis of costed requisitions or any other appropriate distribution method. Costs that cannot be readily identified to a specific outlet should be treated as an overhead and included in the unallocated cost column.

f) OTHER REPORTS

1. The few reports mentioned above shall be part of an end-of-the-month package. There are many other reports related to the scope of work performed by the F&B Cost Control that can be added to such package. Financial Controllers and F&B Managers will determine for each individual hotel the reports required. However, management must ensure that the package contains only essential data and can be used to improve efficiency in the control of expenses. Some of the other reports are the following:
 - Menu popularity report
 - Mini bars report.
 - Non Moving items report

Statistics summary per outlet (number of covers, average per cover, seat turnover, guests per service staff, etc.).