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# Food and beverage management

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FOOD AND BEVERAGE MANAGEMENT

AN INDUSTRY PROJECT

Presented to the Faculty of the Hotel School  
of Florida International University for the degree  
of  
Masters of Science

by

Youssri Hussein Allam

March 1978

The author of this paper was born on June 11, 1950, in Alexandria, Egypt. He graduated from Colleges des Freres, Saint Marc in 1969 and enrolled in the Higher Institute of Hotel Management in Cairo in the same year. In 1973, he graduated from Cairo Hotel School with a grade rating "very good."

After working with Club Mediterranee in France and Italy, the author taught in the "Faculty of Tourism and Hotel Management" in Cairo for three years and was the director of the Hotel Technical and Professional Institute of Meridien Khartoum in Sudan. He was then granted a scholarship from the Egyptian government for post-graduate studies in the United States of America leading to the Ph.D. degree. The author is presently finishing the Master's Program at the School of Hospitality Management at Florida International University in Miami.

## DEDICATION

This paper is dedicated to several people who have been influential in my career and in my life.

First, I would like to thank Dr. Sania Abdel-Hamid, Dean of the Faculty of Tourism and Hotel Management, Cairo, Egypt for all her help during the last ten years, and especially for giving me the opportunity to complete my education in the United States.

I would also like to thank Dr. Gerald Lattin, Dean of the School of Hospitality Management, Florida International University in Miami, on my behalf and on behalf of the students of the Faculty of Tourism and Hotel Management in Cairo, for allowing me to write this paper which I hope will be useful to hotel management students in general, and to the students of the Hotel School in Cairo in particular.

In addition, I would like to express my thanks to the faculty of the School of Hospitality Management, Florida International University for imparting their knowledge and experience which contributed to the writing of this paper.

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## SYLLABUS

### Objective:

This course is designed to expose the student to the concepts of food and beverage management. Particular attention will be given to the control system utilized throughout the food and beverage department. Although the student will be expected to acquire a factual basis for the events, the emphasis of the course will be on concepts.

It is imperative that the managers of any food service operation thoroughly understand the components of their environment. Therefore, the first ten minutes of each class will be devoted to an open discussion of the relevant issues of the day.

### Requirements:

In almost every class session, a ten-minute quiz will be given (20%). An essay-type final examination will be given one week before classes end (70%). A short research paper on the hospitality industry in a foreign country will constitute 10% of the grade. The paper should be around 10 typewritten pages and must follow appropriate rules of style.

Grading Policy:

All grades will be given as numbers to facilitate averaging. The final grade will be reported in accord with the following scheme: excellent (85-100); very good (75-85); good (65-75); fair (60-65); fail (0-60).

Required Text:

Keiser, James and Kallio, Elmer. Controlling and Analyzing Costs in Food Service Operations.

CLASS: 1

- Agenda
1. Discussion
  2. Food and beverage management
  3. Food service facilities in Egypt
  4. Elements of sales and costs
  5. Sales mix

### Food and Beverage Management

The term food and beverage management originated in the U.S.A., where the very size of hotel operations demanded management specialization so that the hotel could function adequately.

The responsibility of the food and beverage manager is to manage the following sub-systems: kitchens, restaurants, night club, bars, room service, banquet rooms, stewards, food and beverage cost control, and food and beverage stores. These sub-systems tend to be the most complex of all the other sub-systems.

### Classification of Food Service Facilities

#### in Egypt

The food service industry is very complex. Certainly, a variety of eating establishments is essential to satisfy the needs, tastes, and buying capabilities of the local people and the different classes of tourists. Thus, we have



everything from typical Egyptian limited menu restaurants to deluxe restaurants. The success of each operation depends on large, continuous daily revenues coupled with tight, sound control systems.

Generally speaking, food service enterprises are classified as institutions or as commercial restaurants. Our point of interest in this course will be the commercial restaurants.

### Commercial Restaurants

"Commercial restaurants are profit-oriented enterprises and their existence depends primarily on sound accounting principles and low operating costs."<sup>1</sup>

Commercial restaurants in Egypt come in a variety of types, each type aimed at a particular market. They all have in common the fact that they run on the same basic principles of good food and good service, while neglecting promotion and control. In your marketing courses you will cover the marketing tools necessary to generate more revenues in your operations. In this course we will cover the control systems.

Commercial restaurants range from cafeterias, offering a limited menu of good food at low cost and rapid service, to exclusive restaurants and night clubs.

The most important type of commercial food service is that found in hotels such as Sheraton, Hilton, and Meridian.

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<sup>1</sup>Bruno Maizel, Food and Beverage Cost Controls (Indianapolis: The Bobbs-Merrill Co., 1976), p. 2.

The restaurants in these hotels have better control than local restaurants, atmosphere restaurants, and night clubs because they apply the standard control system of their chains. Therefore, our aim now is to introduce a tight control system in the other operations in order to increase profit and attract new investors to invest in our business. Who is going to introduce this system? You are the people who will be responsible for the implementation of the new control systems.

### The Food and Beverage Controller

"The food and beverage controller is part of management and he is vested with a certain amount of authority that he uses with discretion. His main goal is to help the executive staff realize the highest possible profit on food and beverage sales while conforming to their rules and regulations. The food controller is a statistician and efficiency expert. He is the eyes and ears of management."<sup>2</sup>

### Definition and Nature of Food

#### Cost Control

Cost control has been defined as the guidance and regulation of the costs of operating an enterprise.

What we mean by regulating costs is to ensure that they are in accordance with the predetermined objectives of the business. In other words, the objectives of your operation in terms of costs have to be expressed in the policy statement and the budgets of your operation.

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<sup>2</sup>Ibid., p. 13.

### Food Cost Control

Food cost control is, simply, cost control as applied to a business which operates food facilities.

Food cost accounting is different than industrial cost accounting because of the nature of our products.

### Elements of Sales and Costs

The amount received from sales must be sufficient to pay for all costs and leave something over as profit for the proprietor of the business. If the costs equal the sales we say that the operation is breaking even, and if the costs exceed the sales a loss occurs.

In the hotel and catering industry, the total costs may be broken down into three main headings: food cost, labor cost, and overheads.

Food cost is the cost of material used in producing the food sold. Labor cost is the cost of employing the staff, and will include wages, salaries, the value of the staff meals supplied, and the value of staff accommodations where applicable. Overhead are those items of expense not falling under the other two costs, and will include such things as rent, heat, light and power, advertising, depreciation, and repairs and maintenance.

The three types of cost and the net profit constitute the fundamental equation of cost accounting.

Sales=Food Cost+Labor Cost+Overhead+Net Profit

S = FC + LC + O + NP

From this equation we can derive other equations.

Sales	=	Food Cost + Gross Profit
Gross Profit	=	Labor Cost + Overhead + Net Profit
Labor Cost	=	Gross Profit - (Overhead + Net Profit)
Overhead	=	Gross Profit - (Labor Cost + Net Profit)
Net Profit	=	Gross Profit - (Labor Cost + Overhead)
Contribution Margin	=	Labor Cost + Overhead + Net Profit
Total Costs	=	Food Cost + Labor Cost + Overhead
Net Profit	=	Sales - Total Costs
$\frac{\text{Food Cost}}{\text{Sales}}$	=	Food Cost Percentage
$\frac{\text{Labor Cost}}{\text{Sales}}$	=	Labor Cost Percentage
$\frac{\text{Net Profit}}{\text{Sales}}$	=	Net Profit Percentage
$\frac{\text{Gross Profit}}{\text{Sales}}$	=	Gross Profit Percentage

### Examples

1. If the food cost is LE 8 and the gross profit percentage is 70%, what is the selling price?

$$\begin{aligned}
 \text{Sales} &= \text{Food Cost} + \text{Gross Profit} \\
 100\%S &= 8 + 70\% \\
 30\%S &= 8 \\
 S &= \frac{8}{.3} = \text{LE } 26.6
 \end{aligned}$$

2. If the food cost is LE 9 and the mark-up is 200%, what is the selling price?

$$\begin{aligned} \text{Selling price} &= 9 + 200\% (9) \\ &= 9 + 18 \\ &= \text{LE } 27 \end{aligned}$$

3. If the gross profit is LE 20 and the mark-up is 400%, what is the food cost?

$$\begin{aligned} 400\% &= 20 \\ 100\% \text{ Cost} &= \frac{20}{4} = \text{LE } 5 \end{aligned}$$

4. If the sales are LE 5000 and the food cost is LE 2800, what is the food cost percentage?

$$\begin{aligned} \text{Food cost percentage} &= \frac{\text{Food cost}}{\text{Food sales}} \\ &= \frac{2800}{5000} = 56\% \end{aligned}$$

5. If the food sales are LE 8000 and the labor cost is LE 1750, what is the labor cost percentage?

$$\begin{aligned} \text{Labor cost percentage} &= \frac{\text{labor cost}}{\text{Food sales}} \\ &= \frac{1750}{8000} = 21\% \end{aligned}$$

### Comparisons and Percentages

If we look at the accounts of a restaurant for a month, it might look something like this:

		LE	
Sales		7500	100%
Food Cost		<u>3150</u>	<u>42%</u>
Gross profit		4350	58%
Labor cost			
Kitchen	800		
Restaurant	<u>1000</u>	1800	24%
Overheads			
Rent	620		
Heat, light & power	195		
Printing and stationery	180		
Insurance	170		
Repairs and Maintenance	180		
Depreciation	200		
Sundry expenses	<u>104</u>	<u>1650</u>	22%
		<u>3450</u>	<u>46%</u>
Net profit		900	12%

The amounts themselves are not important unless compared to something else, such as targets and standards. Knowing that food sales amounted to LE 7500 tells us very little. However, if we have a target based on a good forecast and our target for food sales is LE 9000, for example, we can say that in that month, the business has not generated enough money. If our standard for the food cost percentage is 43% and the actual was 42%, this tells us that we have a good control of food cost, but our sales mix has changed.

Sales Mix

Sales mix is the composition of total sales. This can be for food sales, beverage sales, or both.

Example

## 1. Sales mix for food:

Fish	12
Chicken	24
Shrimps	12
Beef	14
Lamb	12
Veal	16
Other	<u>10</u>
Food sales	100%

## 2. Sales mix for beverage:

Beer	21
Wines	7
Hard liquors	50
Cordial liquors	8
Cocktails	<u>14</u>
Beverage sales	100%

## 3. Sales mix for food and beverage:

Food sales	76
Beverage	21
Other	<u>3</u>
Total sales	100%

Different kinds of sales produce different proportions of profits, so that an increase or decrease in one kind of sales will not produce a proportionate alteration in total profit.



CLASS: 2

- Agenda
1. Discussion
  2. Quiz #1
  3. Composition of food cost and kitchen percentages
  4. Dish Costing
  5. Meat Costing

Quiz #1

Answer these two questions:

1. Explain the terms gross profit and net profit.
2. If the food sales are LE 6000 and the food cost is LE 2750, what is the food cost percentage?

Composition of Food Cost and  
Kitchen Percentages

"If the gross profit percentage appears low at any time, then examination of the food cost composition may reveal the cause. The cost of the different kinds of food included in the total food cost will usually remain fairly consistent in the same proportions."<sup>3</sup> Therefore you have to keep track of your weekly food composition and establish a seasonal pattern. Regular comparison of these percentages each week will draw attention to unusual variations. These variations may

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<sup>3</sup>R.D. Bordman, Hotel and Catering Costing and Budgets (London: Heinemann, 1975), p. 11.

be due to one or several factors such as:

1. Increases in purchase price of same commodities
2. Waste
3. Pilferage
4. Lack of portion control
5. Poor buying techniques
6. Overcharging by suppliers
7. Not following standard recipes
8. Changes in sales mix
9. Clerical errors
10. Items not available in the market

Your role is to analyze and compare these percentages and you should take a quick action in order to ensure that the business remains profitable. You will find that the variation has one or more reasons, some of them external and some internal. The external factors are either controllable or uncontrollable. For example, if the items are not available in the market, you cannot do anything. But, if the suppliers are overcharging you, this will cause a variation and you must review your purchasing policy. This is a controllable factor.

All the internal factors are controllable and a plan of action is necessary to overcome their negative effects. For example, if the problem is a lack of portion control, you have to train your people and provide the adequate tools.

### Example

The kitchen analysis sheets for the weeks ended

January 7th and January 14, 1978 showed goods consumed as follows:

	Week ended Jan. 7, 78		Week ended Jan. 14, 78	
	LE	%	LE	%
Meat	365	17.3	1014	16.9
Chicken	365	7.3	408	6.8
Fish	320	6.4	456	7.6
Fruit and Vegetables	655	13.1	804	13.4
Grocery	875	17.5	1008	16.8
Provisions	715	14.3	888	14.8
Bread, flour, etc.	335	6.7	396	6.6
Dairy products	550	11.0	666	11.1
Eggs	205	4.1	228	3.8
Sundries	<u>115</u>	<u>2.3</u>	<u>132</u>	<u>2.2</u>
Total	5000	100%	6000	100%

When we compare these percentages, we will realize that the percentage of the fish cost to total food cost has increased by 1.2% and so we suggest that you go back and review the invoices and portion control in your kitchen.

#### Dish Costing and Ingredient Costing

Ingredient costing is the cost of a given quantity of a combination of different ingredients that constitutes a sauce, dough, bouquet garni, mirepoix, etc.

Dish costing is the total food cost of a dish to be served.

A distinction between dish costing and ingredient

costing is important because you will use the ingredient costing to prepare your dish costing sheets.

The first essential is to prepare a list of all the ingredients necessary to prepare four, six or ten covers and to figure the cost of each of the ingredients from the price list or the ingredients cost sheet. Simple addition will then give the total food cost for four, six or ten covers, which should be divided by four, six or ten to ascertain the cost per cover.

When prices change costing sheets have to be revised and you have to date each costing sheet.

Example of a costing sheet

50014

Costing Sheet

Date: Jan. 7, 78

Name of dish: Sole Dauphin  
Costing for 4 portions

Qty	Unit	Ingredients	Price	Unit	Cost
			P		P
1	Kg	Potatoes	15	Kg	15
1.2	Kg	Sole	80	Kg	96
.25	litre	Milk	20	litre	5
1	each	Egg	70	doz.	5
100	g	Butter	.20	Kg	12
50	g	Flour	8	Kg	0.4
200	g	Spinach	14	Kg	2.8
		Seasoning	2	P/P	.8
<b>Total Food Cost</b>					<b>137</b>

Food cost per portion	34
Gross profit percentage	65%
Selling price	97
Charge	100

Meat Costing

In Egypt, unlike other countries, pre-portioned meat is not available, and this presents certain problems in costing. First, while the portion to be served may be specified by weight, the total weight to be served is not the same as the total weight on which the purchase price is based. Sirloin of beef may cost LE 1.80, but it would be wrong to cost a 125 g portion of roast beef as 1/8 of LE 1.80 because a change has taken place between purchase and serving, particularly a change in total weight, due to bones, trimming, and cooking shrinkage.

example

36 Kg of beef are purchased at LE 1.85, the total cost being LE 66.6. After boning, trimming, cooking, and carving, it is found that 216 portions of 100 g are obtained. The food cost of meat served is thus LE 0.308 or LE 2.466 per Kg.

The calculations of the price of cooked meat may be expressed as a formula:

$$\text{Cooked meat price per Kg} = \frac{\text{raw meat price per Kg} \times \text{weight raw meat}}{\text{cooked meat weight}}$$

$$\text{Cooked meat price per portion} = \frac{\text{raw meat price per Kg} \times \text{raw meat weight}}{\text{number of portions}}$$

In the last example the total weight was reduced from 36 Kg of raw meat to 21.6 Kg of served meat, and the

price per Kg increased from LE 1.85 to LE 2.46 per Kg for served meat.

The percentage of cooked weight of raw weight depends upon several factors:

1. Kind of meat
2. Percentage of fat
3. Cut
4. Cooking method
5. Cooking temperature

As a Food and Beverage Manager, you have to establish your own charts and standards and you must conduct periodical yield tests.

#### Wholesale Cuts

You will find in most of our hotels that meat is bought in quantity and then butchered. There will be waste in butchering, resulting in the price per Kg of usable meat being higher than the price per Kg actually paid. An important point which has to be considered here is that the usable meat remaining will not all be one kind of meat, and therefore should not be priced the same. To overcome this problem you have to establish the price ratio between different cuts. Otherwise it would be ridiculous to cost both sirloin and shank at the same price, because the sirloin has a greater relative value than the shank.

CLASS: 3

- Agenda
1. Discussion
  2. Quiz #2
  3. Review Quiz #1
  4. Pricing decision
  5. Banquets
  6. Problems

Quiz #2

1. What is the difference between ingredients costing and dish costing?
2. What is meant by yield test?

The Pricing Decision

"Total revenue equals the number of units of products or services sold multiplied by the selling price of these units. In this formula the first factor to be determined by management is the selling price."<sup>4</sup>

Pricing in the hospitality service industries may be influenced by various philosophies. This depends on the type of restaurant because each type of restaurant has a different cost-profit structure. The pricing philosophies are:

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<sup>4</sup>Clifford T. Fay, Jr., Richard C. Rhoads, Robert L. Rosenblatt, Managerial Accounting for the Hospitality Service Industries, 2nd ed. (Dubuque: Wm. C. Brown Company, 1976), p. 364.

1. Intuition: According to this philosophy, managers establish prices on some intuitive feeling for public demand and what they can bear. This approach is not adequate because it is not based on any scientific theory and nobody can guarantee that the sales will generate enough money to cover all the costs and leave a profit. You will find that this approach of pricing is applied in many small restaurants in Egypt.
2. Competitive pricing: This is another method of pricing that charges the same price for the products as the competition in the same market. This approach is acceptable in only the following conditions:
  - A. if the products of the competitors are exactly the same,
  - B. if the two operations are identical,
  - C. if the competitor has established his prices on an acceptable scientific method,
  - D. if the total cost of providing the product or the service is the same as the full cost incurred by the competitor.
3. The trial and error pricing method: This method establishes prices for a test period while monitoring sales activity during that period. Price adjustments are then made to provide a satisfactory departmental contribution margin. The risk factor plays an important role in this situation especially since your customers will react to price changes.



4. Follow the leader pricing system: For this method a manager will charge the same price as the leader. This method is not widely used in Egypt because the segments of the hospitality industry are still limited, and there are no multi-unit chains. An example of this method in the United States of America is the McDonald's Corporation. McDonald's is the leader in the fast food industry. You will find many similar operations applying this method of pricing. An example in our country is the Nile Hilton which is considered the leader in hotel business in Egypt. You will find many operations that charge Hilton's prices.
5. Percentage mark-up pricing: This method charges a multiple of the cost to arrive at the gross profit.

example

The cost of a dish is L.E. 0.30 and the mark up is 300%. What is the selling price for that dish?

answer

$$\begin{aligned}
 \text{Selling price} &= \text{Food cost} + \text{Gross profit} \\
 &= 0.30 + 0.30 (300\%) \\
 &= 0.30 + .90 \\
 &= \text{LE } 1.20
 \end{aligned}$$

6. The scientific method of pricing: This method is based on two factors:
- A. good forecast
  - B. gross profit in LE.

In any profit oriented business, managers should make sure that their sales will cover all expenses and leave the desired profit. In this method, our goal is to generate enough sales to cover all the fixed and variable expenses and leave the desired profit. How to achieve the necessary level of revenue is our point of concern. We will simplify this method in few steps.

1. list all the goods and services available for sale
2. determine the fixed cost for each item
3. forecast the number of items that you expect to sell
4. determine the food cost of these items
5. determine the net profit desired in terms of LE
6. calculate the gross profit in dollars by adding 4 and 5
7. calculate your expected sales in terms of LE by adding 4 and 6
8. calculate your gross profit percentage desired by dividing 6 by 7
9. allocate different gross profit percentages for each item based on your forecast to achieve the gross profit devised in LE and at the same time the overall gross profit percentage.

The result of this method is that you will be sure that your sales will cover all your expenses and you will achieve your goal in terms of profit.

One of the advantages of our market is that the

demand is greater than the supply. Many people in the hospitality industry in Egypt misuse this advantage by charging astronomical prices since they are concerned only with the gross profit percentage. However, you, as a new generation, should not overly concern yourself with percentages. Instead, your point of concern should be money. As one of the most dedicated persons I have ever seen in my life, Mr. Michael Hurst, Professor in Florida International University, told us, "We do not put percentages in bank, but we put dollars."

### Banquets

A banquet is a much larger unit of sales than a single dish and it should therefore be possible to establish the actual costs to a much greater extent.

The first step in costing banquets is to develop your own check list. It must include these points:

1. Date of the function
  - A. Deposit date
  - B. Confirmation date
2. Kind of function: reception, wedding, cocktail, dinner or dinner dance
3. Person to contact regarding the function
  - A. Occupation
  - B. Address
  - C. Telephone
4. Function room; flat price
5. Number of guests

6. Type of menu; A, B, C, D or special
7. Type of service
8. Seating order
9. Number of guests at head table
10. Ticket
  - A. Printing
  - B. Collection
11. Serving time
12. Maximum time allowed
13. Waiting room
14. Coat rooms
15. Photographer
16. Electric equipment
17. Band
  - A. Western
  - B. Oriental
18. Rooms for entertainers
19. Beverages
  - A. Included (brands and quantity)
  - B. Charge
20. Decoration
21. Lighting
22. Silverware, china, glasses
  - Type A
  - Type B
23. Special chairs for groom and bride
24. Other extra services

## 25. Security

A. Room

B. Government, Diplomat and VIP guests

After gathering all this information, translate it into LE and you will arrive at the total direct costs. General overheads and net profit, however, still need to be provided for on the basis of a percentage of sales.

example 1

In preparing a dinner party for 300 persons, it is estimated that the total food cost will be LE 340, labor cost LE 170, and overheads should be allowed for at 24% of sales. What charge per cover should be made in order to produce a net profit of 14%?

answer

$$\begin{aligned}
 \text{Sales} &= \text{Food cost} + \text{labor cost} + \text{Overheads} + \text{Net profit} \\
 &= 340 + 170 + 24\% + 14\% \\
 100\% - 38\% S &= \text{LE } 510 \\
 62\% S &= \text{LE } 510 \\
 100\% S &= \frac{510}{.62} = \text{LE } 822.5 \\
 \text{Charge per cover} &= \frac{\text{sales}}{\# \text{ of covers}} = \frac{822.5}{300} = \text{LE } 2.75
 \end{aligned}$$

example 2

The food cost for a banquet for 350 persons is estimated to be LE 0.80 per cover, band at a cost of LE 45, flowers and decoration to be provided at a cost of LE 70,

labor cost will be LE 210, and general overheads should be provided for on the basis of 18% of sales. What charge per cover should be made in order to achieve a net profit of 12%?

answer

$$\begin{aligned} \text{Total food cost} &= \text{Food cost per cover} \times \text{number of covers} \\ &= 0.80 \quad \quad \quad \times \quad \quad 350 \\ &= \text{LE } 280 \end{aligned}$$

$$\begin{aligned} \text{Sales} &= \text{Food Cost} + \text{Labor Cost} + \text{Other Costs} + \text{Overhead} + \text{Net Profit} \\ &= 280 + 210 + 45 + 18\%S + 12\%S \\ 70\%S &= 605 \end{aligned}$$

$$\text{Sales} = \text{LE } 864$$

$$\begin{aligned} \text{Charge per cover} &= \frac{\text{Sales}}{\# \text{ of Covers}} \\ &= \frac{864}{350} = \text{LE } 2.46 \\ &= \text{LE } 2.50 \end{aligned}$$

CLASS: 4

- Agenda
1. Discussion
  2. Quiz #3
  3. Review Quiz #2
  4. Banquet procedures
  5. Guest speaker: "Banquet Manager Sherator Hotel"

Quiz #3

What are the pricing philosophies, and which one do you prefer? Why?

Banquet Procedures

Commercial hotels rely greatly on their banquet sales to increase the net profit percentage at the end of every accounting period.

The Banquet Manager

"In most of the larger hotels the banquet department is a separate entity within the food and beverage department. The banquet manager is in charge of all banquets and functions and works under the supervision of the food and beverage manager or is responsible only to the general manager. There is a tendency for the banquet manager to concentrate his efforts in the area of banquet sales and to disassociate himself from the service and production of such functions when he is re-

sponsible only to the general manager. However, the success of the banquet department will depend greatly on the coordination of the efforts of the sales force, the cooking crew, and the service personnel."<sup>5</sup>

### Banquet Sales

"In order to control the sales, reservations, and preparations of various function rooms, the banquet manager should design a system of recording inquiries and reservations. This system must fit the need of the particular enterprise. In large hotels, banquet reservations should be recorded on charts that are designed to show the status of every function room for every hour and day of the year."<sup>6</sup>

### Bookings

The banquet manager should keep two different books for banquets: one for tentative bookings and the other for confirmed bookings.

All the personnel handling banquet reservations should enter any and all initial banquets in this book with all the information that they can obtain from the prospective customer. The advantage of this book is to allow other personnel or the assistant banquet manager to follow up. As soon as the banquet manager decides to accept a specific banquet, he will confirm the reservation and ask the guest

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<sup>5</sup>Maizel, Food and Beverage Cost Controls, p. 129.

<sup>6</sup>Ibid., p. 130.



for a deposit. The amount of deposit and the contract depend upon the policy of the hotel.

In general, no hotel will confirm any banquet before receiving a cash deposit from a guest and a deposit or confirmation letter from the company which is holding the banquet. Then, a contract should be signed by the general manager or his representative and the customer.

Every contract should have the following information:

1. Contract number
2. Name of the company or the guest
3. Address and identification card
4. Date of banquet
5. Amount of deposit and security if applicable
6. Time limit of the banquet
7. Date of deposit
8. Number of guests allowed
9. The total selling price

With the cooperation of the legal department in your hotel develop a printed form and make sure that the following information is included:

1. The right of the hotel to sell liquor
2. The right of the hotel to clear the room after the time limit
3. The right of the hotel to ask any guest to leave the premises if there is any violation to the hotel regulations

4. The right of the hotel to keep the deposit if the guest cancels the reservation before the deadline.

Guest speaker: Banquet manager of Sheraton Hotel--Cairo.

CLASS: 5

- Agenda
1. Discussion
  2. Quiz #4
  3. Review Quiz #3
  4. Purchasing

Quiz #4

1. What information should be written in a banquet contract?
2. List five points mentioned by the guest speaker last week.

The Food Cycle

The success of a hotel or any food service operation can be measured by the degree of coordination among the various functions in the food cycle.

1. PURCHASING
2. RECEIVING
3. STORING
4. ISSUING
5. PREPARING
6. SELLING

Purchasing

Purchasing is a function concerned with the search

selection, and purchase of a commodity in accordance with the policy of the establishment. Purchasing fulfills a very important function in the complete food cycle. If it is done inefficiently it creates problems at each subsequent stage of the cycle. If there are no set food quality standards, over-requisitioning or under-requisitioning of foods will inevitably take place. Receiving would also be very difficult, particularly with the quality of commodities being undefined. Storage would be faced with the problem of frequent inspection of perishable foods to ensure that ripe produce was issued first. Preparation would be difficult, particularly the task of obtaining a standard yield from a given item. The money involved in purchasing is considerable in relation to the total food sales. Therefore it is obvious that the person concerned with this function must be qualified in order to perform efficiently.

#### The Purchasing Agent

The designation of the staff member who will have the responsibility for food purchasing differs in many types and sizes of hotels.

In large hotels, such as the Nile Hilton, the Sheraton Cairo, and the Windsor, there will be at least one purchasing officer. Frequently there will be more than one, in which case they will tend to specialize, for example, in the purchase of meat, poultry and fish, or fruit and vegetables. In other countries, a purchasing officer in this type of establishment would have departmental head status.

However, in our situation it is completely different. A purchasing agent in most of your hotels has less status than a room clerk.

In a medium-sized hotel or restaurant, it is usually the catering manager who is responsible for purchasing. In smaller hotels or restaurants, it is the usual practice for the chef to purchase all perishable foods and the owner or the manager to purchase all non-perishable foods.

I think that any food service operation, no matter what size, has to have a purchasing agent, because if the same person is purchasing, receiving and preparing the food, you will not have any control.

#### Qualifications.

1. Honesty and integrity
2. Loyalty
3. Good knowledge about the commodities used in the hotel
4. Personality
5. Knowledge of accounting controls
6. Understanding the mechanics of purchase orders, invoices, receiving sheets
7. Ability to set standard purchase specifications
8. Active

#### The Duties of the Purchasing Agent.

1. Purchasing all food for the hotel, and insuring continuity of supply.

2. Finding cheaper and better sources of supply.
3. Co-operating with the production departments to standardize commodities in order to keep stock levels as low as efficiently possible.
4. Maintaining a good relationship with the production and control departments in order to check that the items purchased are satisfactory in terms of quality and price.
5. Maintaining a good relationship with the government agencies which are supplying the hotel with sugar, oil, flour.
6. Reporting to management on the activities of the department.

#### The Purchasing Procedure

The various stages in the purchasing procedure are:

1. The initiation of a request to purchase goods by an authorized member of the staff such as a restaurant manager or chef.
2. The determination of the source of supply from which the goods are to be purchased, and the price to be paid.
3. The formation of a contractual arrangement with the supplier selected, for perishable items, such as milk, bread, cream, etc. This can be by telephone.
4. Obtaining a satisfactory delivery performance from the supplier in terms of time, date and

place of delivery.

### Standard Purchase Specifications

"Knowledge of how to write specifications for the desired quality is essential. If adequate communications are not established between the buyer and seller, there is no recourse if the food received is not what was expected. Before specifications are written, however, the production manager must decide on the form and quality of food suitable for the specific needs. For example, over a period of time the menu may call for pineapple salad, pineapple cream pie, pineapple sauce for ham, and a molded fruit salad with pineapples in it. Should the manager buy fresh pineapple or frozen sections? Is canned best suited for all purposes? If so, should he buy whole rings, broken slices, crushed, diced, tidbits, or spears? Should it be packed in a heavy or light syrup? What size pieces of fruit will give the best portion yield? These are but a few of the questions that the buyer must answer.

After the use has been determined, the food buyer must determine the specifications for each quality of food desired, define in detail the specifications of each standard, and proceed to locate a product that will meet these standards. A specification may be considered an accurate word picture or a definition of a product. It must be definite enough so that there will be no misunderstandings as to the item required. Such a precise specification not only makes it possible to obtain the quality wanted, but it makes com-

petitive bidding effective.

Specifications should be brief and simple, but complete."<sup>7</sup>

### Problems in Preparing Purchase

#### Specifications in Egypt

1. Almost complete lack of grading of foodstuffs
2. No government control over many commodities
3. Commodities are not always available on the market
4. Prices of some commodities are controlled by the government

To deal with these problems you have to set your own standards and look for a supplier or suppliers who can meet your standards. Prices will always be higher than the market prices of the commodities but you have to keep in mind that the customer is willing to pay for a good quality product.

### Purchasing Methods

There are many methods by which food can be purchased.

They include:

1. Open market buying
2. Sealed bid buying
3. Cost-plus buying
4. Co-op buying

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<sup>7</sup>Bessie Brooks West et al., Food Service in Institutions, 5th ed. (New York: John Wiley & Sons, 1977), pp. 95-96.



5. Purchase by daily quotation sheet
6. Purchasing by "cash and carry"

### Purchasing Control

"Control over purchasing must insure that the foodstuffs purchased are for immediate needs, that the quality of the food is optimum for the intended use, and that the lowest available price in the market is paid for merchandise of the desired quality and form.

The first element of control is the establishment of detailed purchase specifications. These can be determined only after extensive study and testing, in which the processing losses, cooking losses, portioning losses, and potential utilization of by-products are considered. Specifications must be sufficiently detailed to ensure that the operation describes the exact type of merchandise that is desired and is capable of being put to the most economic use."<sup>8</sup>

"The second element of control is the coordination of purchasing to satisfy only immediate needs. An oversupply of stores not only ties up capital, but also increases the possibility for spoilage and pilferage. To guard against excessive quantities of foodstuffs being purchased, a special order sheet is used, indicating the quantity of merchandise on hand as well as the quantity to be ordered. The purchaser should then review the forecast of anticipated volume, noting the quantity of merchandise on hand, and investigating any

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<sup>8</sup>Fay, Managerial Accounting for the Hospitality Service Industries, p. 294.

orders that are considered excessive.

The third element of sound purchasing control is the use of competitive bidding procedures. The purchaser must actively and aggressively test the market to obtain the merchandise as specified at the lowest price available. Usually it is good practice to get at least three competitive bids. All competing purveyors must be furnished with copies of the purchase specifications, to provide a common basis for bidding.

The fourth element of purchasing control is the establishment of purchase authorization procedures. Because food purchasing is a repetitive process, it is not normally necessary to formalize each purchase order. Nevertheless, it is necessary to vest the authority to purchase with a specific individual who is then held accountable for seeing that standard procedures are followed."<sup>9</sup>

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<sup>9</sup>Ibid., p. 295.

CLASS: 6

- Agenda
1. Discussion
  2. Quiz #5
  3. Review Quiz #4
  4. Receiving Procedures and daily report
  5. Receiving Control

Quiz #5

1. What are the duties of the purchasing agent?
2. What are the four elements of control over purchasing?

Receiving

For the job of receiving to be efficiently executed, it is necessary for the receiving department to be located in such a position that the delivery of goods may be quickly unloaded and easily distributed within the hotel to the stores and kitchens. The receiving department should be large enough so that unloading and checking can be carried out easily. It should be well-lighted so that checking of quantity and quality of foods is not hampered. Large-faced scales with provision for tar weights must be provided for easy and accurate weight checking. A copy of purchase specifications should be located in the receiving area or displayed on one of the walls near the unloading bay.

"Receiving is not just the accepting of and signing for merchandise. It includes verifying that the size, quality, and quantity meet specifications and that the price exactly reflects the items ordered and billed. Tagging and marking perishables with the date received is also part of the process. In addition, the items received must be recorded accurately on the daily receiving record. The merchandise must then be moved promptly to storage and preparation areas before it gets lost or deteriorates. Receiving is an area where alert management can prevent a great deal of grief. The more consistent and the more routine the receiving function, the less chance that attempts will be made to defraud the operation during the delivery of merchandise."<sup>10</sup>

#### Receiving Responsibilities

Although the function of the receiving department in a hotel is as important as any other department, it is unfortunately the most neglected, being frequently staffed with unqualified people. The reason that young, qualified men aren't attracted into such positions is that management does not offer fair salaries in this department and besides there is no career opportunity. Management has overcome the personnel problem by insisting that the chef, maitre d'hotel, head bartender, purchasing agent and one of the assistant managers be present during the receiving process and participate in the receiving procedure.

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<sup>10</sup>James Keiser, Elmer Kallio, Controlling and Analyzing Costs in Food Service Operations (New York: John Wiley & Sons, 1974), p. 63.

### Receiving Procedure

1. When the order arrives the receiving clerk checks the delivery note and the copy of the order to check that the majority of the goods are being delivered once unloaded.
2. The goods are checked by the receiving clerk for quantity.
3. The goods, having been checked by the panel for quantity, are next checked by the panel for quality.
4. The members of the panel will sign the invoice.

Any difference between the delivery note and the order given must be ascertained immediately, as a late delivery of food could seriously upset the production department. In the event of short delivery or non-delivery, due to the inability of the supplier to obtain particular commodities, the purchasing agent should be informed immediately so that he can try alternative sources.

### The Receiving Clerk's Daily Report

"The receiving clerk's daily report is made out in duplicate (one copy for accounting department and one for receiving clerk's file). The content of all invoices received are copied into the report.

The first copy is sent to the accounting department (food and beverage controller). The controller will compare the receiving sheet with the invoices of the day and use it to make out the daily food cost report. He then files the sheet for later use in computing the end of the month profit and loss report.

The receiving clerk has the task of sorting the in-

voices of received food purchases into two main categories: direct and storeroom. Within each category of purchases, the entries will be organized according to the commodity received (vegetables, meats, etc.) and dealer. Then the receiving clerk copies and organizes the information of the invoices into the receiving report.

The name of the group of foods that will be entered first is written in the middle of the receiving report, after assigning a sequential number to the receiving sheet. This sheet is then divided into columns containing the following information:

Column 1 : The quantity of an item received

Column 2 : The unit used for measuring

Column 3 : A description of the item

Column 4 : Used by the food controller to check the entries of the purchase in the receiving clerk's report

Column 5 : The price of each unit

Column 6 : The number of units times the unit price

Column 7 : The total of all amounts in Column 6

Column 8 : The value of the food received which went to the kitchen for immediate consumption

Column 9 : The value of the food that went to the storeroom

Column 10: Other items received that are not included in Columns 8 or 9

When the last invoice is entered on the receiving

sheet, the receiving clerk will cross out the remaining part of the receiving sheet to prevent others from entering foods not received by him. Then he signs the report. All entered invoices carry the signature of the receiving clerk and the number of the receiving sheet."<sup>11</sup>

#### Credit Memo

When the deliveries of requested food items are short in quantity or poor in quality the receiving clerk writes a credit memo and specifies the reason for the request of credit and asks the supplier's representative, who always accompanies the truck driver, to sign the memo. This memo should be written in triplicate: one for the accounting department, the second for the supplier, and the third is kept in the receiving clerk's file.

#### Receiving Control

"Control over the receiving activity is maintained by installing standard procedures for receiving merchandise, by requiring formal acceptance or rejection of all delivered goods, and by spot-checks by management to determine whether standard procedures are being followed.

Sound receiving procedures require that all food-stuffs be inspected at delivery. They should be weighed or counted, depending on the way in which the item is purchased, in order to determine that the quantity ordered is delivered,

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<sup>11</sup>Maizel, Food and Beverage Cost Control, pp. 77-81.

and that this agrees with the quantity shown on the invoice. The quality, grade, etc., should be checked to see that it conforms to the specifications.

When all the receiving procedures have been carried out, formal acceptance should be signified by recording in writing what steps have been performed and who has performed them. The receiving data then will be forwarded to the accounting department for appropriate action."<sup>12</sup>

### Meat Tagging

Although every item must be checked for quality and quantity, special attention is given to the most expensive items, such as shrimps, lobster, caviar, smoked salmon and meat. It is common practice to tag all meat after accepting it for quantity and quality, and we suggest that this should be done for all the expensive items that have a resale value. A meat tag should be attached to every joint received. The standard meat tag consists of two duplicate parts, each part has a printed number and spaces for the date, the supplier's name, the cut, the price per Kg, the weight and the total price. There are many advantages of using a meat tag system.

1. The date on the tag facilitates FIFO or LIFO in issuing
2. It provides a basis of control for an expensive item of food
3. It insures that the receiving clerk actually

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<sup>12</sup>Fay, Managerial Accounting for the Hospitality Service Industries, p. 295.



weighs each joint

4. The tagged items make the physical inventory easier
5. Loss in weight may be calculated by subtracting the weight before issuing from the weight written on the tag.
6. Identification of the supplier if there is any future complaint.
7. It provides a reference number to aid issuing to the kitchen and when yield testing.

When the meat is issued to the kitchen, the tag is sent to the control office for checking purposes.

Finally, in receiving control, you, as a food and beverage manager, you cannot ask for accuracy unless you provide the necessary equipment. Scales and other equipment should be checked monthly to avoid any variances. Receiving hours should be scheduled and a copy should be sent to the assistant manager, suppliers, chef, maitre d'hotel and the purchasing agent.

CLASS: 7

- Agenda
1. Discussion
  2. Quiz #6
  3. Review Quiz #5
  4. Storing
  5. Inventories
  6. Issuing
  7. Pricing of Issues

Quiz #6

1. List six important points in receiving control.
2. What are the advantages of using a meat tag system for the expensive commodities?

Storing

The basic objective of a food store is to maintain an adequate supply of food for the immediate needs of the business with minimum loss through spoilage and pilferage.

"Vital to any food service establishment is the operation of its food storage facilities, and in any evaluation of such an establishment, the adequacy of its storage area should be one of the prime considerations. Here, the food items that represent money must be kept until needed. They must be protected from theft and kept in prime physical condition. Contents should be placed in an organized manner, and

the premises should be scrupulously clean. Too often, however, food storage is synonymous with disorder. Food is piled helter-skelter, and sanitation may be largely overlooked. Management cannot tell what is on hand, and both wastage and spoilage are greatly increased."<sup>13</sup>

The location of storerooms should be near to the receiving department and the kitchens, so as to reduce labor costs for internal deliveries of items and to reduce pilferage. The storerooms must be large enough for checking in goods, unpacking, and weighing of goods requisitioned. The storerooms should be constructed of such materials that they can be easily cleaned, well lighted, and when not refrigerated, adequately ventilated. The security of storerooms is essential to efficient control and is obtained by having any windows adequately barred and by having strong locks on refrigerators and cold rooms. During the hours that it is open, the only persons allowed into the stores must be the staff of the storeroom and senior staff, such as the purchasing officer or the food and beverage manager. All keys to the stores should be held by the head storekeeper only, with a duplicate set kept in the assistant manager's office.

"The amount of space allocated for storage of food and other commodities varies considerably from one catering establishment to another, being mainly related to the size and type of catering involved but also, to a large extent, influenced by considerations of management policy. In practice, the areas allocated for stores in existing catering premises

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<sup>13</sup>Keiser, Controlling and Analyzing Costs in Food Service Operations, p. 73.

are rarely found to be excessive and are often inadequate both in space and facilities. This is possibly because stores tend to be regarded as non-revenue producing areas and, consequently, are reduced to the minimum. However, the congestion which frequently results from inadequate or unsuitable storage creates problems in maintaining proper food cost control, rotation of stocks, records and other aspects of supervision. In turn, this can lead to substantial losses from deterioration of food, abuses in food use and pilfering. Considered from a commercial point of view, efficient storage can have a significant bearing on the profitability of the business.

The main factor to be taken into account in assessing storage requirements is the size of the catering operation and its turnover in terms of the number of meals produced each day. Other aspects, such as the type of catering, the range of choice offered on the menu and the price of the meals will also affect the quantities of food used."<sup>14</sup>

### Stock Records

As a food and beverage manager you have to know what and how much commodities you have in your storerooms, because most of the imported items such as heart of palm, anchovies, tuna, smoked salmon, french cheese, holland cheese, pineapple, etc. are not available in the market and thus you have to place an order two or three months in advance. Therefore, very detailed records are necessary so that the control of

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<sup>14</sup>Fred Lawson, Designing Commercial Food Service Facilities (New York: Waston-Guptill Publications, 1974), p. 36.

this valuable stock may be done efficiently. It involves the analysis of issues by commodities so that a comparison may be made with an established standard.

### Stock Cards

One of the most widely used systems in hotels' stores is the stock cards system. This system exists in most of our hotels but not adequately used in a great number of them. Your role will be to make sure that this system is adequately carried out, and to make sure of that you check yourself every now and then that all the issued and the received items have been recorded. The stock cards should be kept in a loose-leaf holder or in a tray file. Under this system a card is kept for each item showing minimum stock, date, received, issued, balance, and re-ordering level. Once again it is necessary for stock cards to be kept up to date each day, and for periodic checks to be made that the balance on the card agrees with the actual quantity of the item held in stores.

In the United States many food service operations have introduced computer systems that do the perpetual inventory for them. In some establishments in the United States they also take a daily physical inventory for the expensive items and then match it with the perpetual inventory.

### Maintaining the Inventory

"Once a restaurant or a hotel has food in stock, it is faced with the problem of keeping it in stock while it uses it up. This is the area of inventory maintenance. Max-

imum and minimum stock levels should be set to control inventory. Having too little food is an obvious error, or will at least be obvious when an outraged customer stalks out because something he wanted isn't there. Too much food is a more subtle problem. The money tied up in it isn't seen until it is needed--there it's unavailability becomes plain. Too much food increases chances of spoilage, and if not spoilage, then at least chances of less-fresh food and less-tasty meals

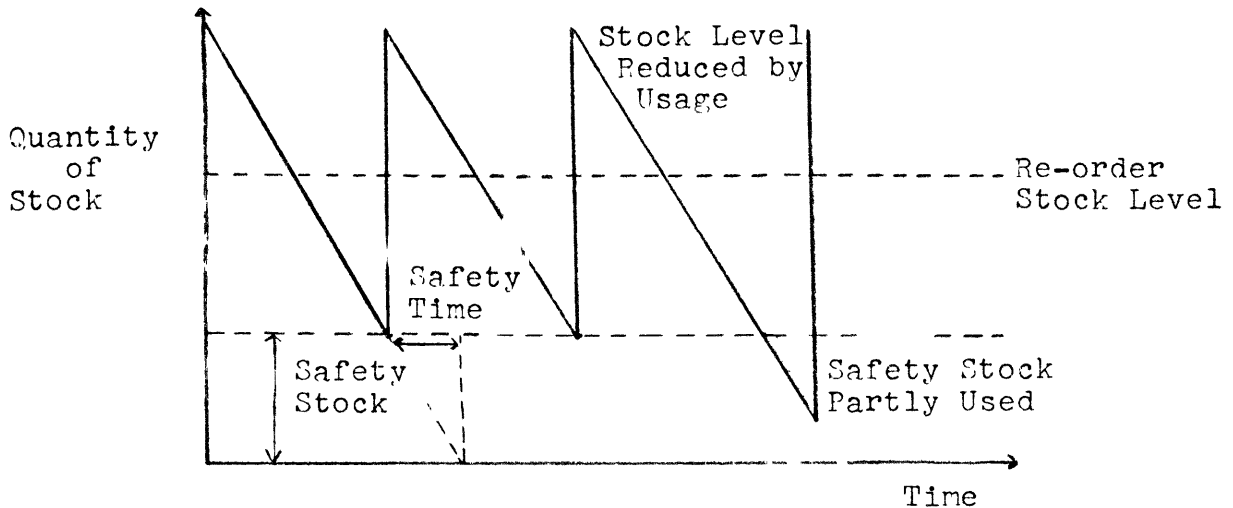
The executive steward and the food controller have great responsibility here. They must relay accurate information to the inventory manager who will evaluate it and issue appropriate directives.

The inventory manager, in establishing maximum and minimum levels, should take the following steps.

1. List all elements affecting demand for the item. These include customer services, the type of operation, perishability of goods, storage space, and market conditions.
2. Sort items according to value. High value items and perishables should be ordered more frequently and in smaller lots than low value products.
3. Check on past demand and make comparisons. Past demand should not mean one accounting period but a whole year or season (if the operation is seasonal).

The conclusions that the inventory manager draws determine the maximum and minimum levels.

They also help determine the inventory budget, which is in itself a control."<sup>15</sup>



The safety stock is the minimum stock which will always exist if purchasing goes according to plan. If purchasing doesn't go according to plan, the safety stock would be used until further supplies or an alternative were obtained. The working stock is the stock in use which would rise and fall as each batch is received or issued. The re-order level is the level which the stock in hand has reached when it is necessary to make a further order so as to prevent running out of stock.

### Transfer Notes

A transfer note is an internal form of requisition note which is used when a department requisitions something from another department which is not in the stores. For example, the kitchen may make out a transfer note to the dis-

<sup>15</sup>Maizel, Food and Beverage Cost Control, p. 38.

pense bar for items such as white wine and Grand Marnier. The bar may make out a transfer note to the kitchen for pineapples, oranges, lemons and potato chips. You have to keep a very important point in mind, which is that any department which sells or issues any item should be credited for that item.

#### Breakages and Damaged Goods

When items become broken or are found to have leaked away, these items must be recorded in a 'damaged goods book.' The book would record the date, description of item, details of from whom purchased, the value, signature of the purchasing officer who verified the damaged goods and the action taken. The purpose of this book is to record the quantity of damaged goods, to restrict unexplained differences in the physical inventory and the perpetual inventory.

#### Issuing

"Control of issuing has two important aspects. First, goods should not be removed from the storeroom without proper authorization. Second, only the quantity of foodstuffs required for preparation should be obtained. A requisition system usually is used to provide these control elements. The person requesting the merchandise will submit to the storekeeper a written list of items required. To facilitate preparation, the most frequently requested merchandise should be preprinted on the requisition form, so that only the quantity required will have to be filled in. Because many preparation



employees tend to overorder to avoid subsequent requests, the requisitions should be reviewed by the chef or other person in charge of production, and his signed approval obtained before the requisition is presented. With such a system, the storekeeper will first determine if the requisition is authorized."<sup>16</sup>

### Pricing of Issues

This is one of the most difficult points of pricing decisions. However, there must be a system established so that the department can be charged for what it has requisitioned for its use. The method of pricing the food issued depends mainly on the type of commodity in question.

1. Perishables. In case of perishable commodities, they frequently go directly to the kitchen as direct issues, and are priced against the actual purchase price of the commodity.

2. Non-Perishables. In the case of non-perishables, there are seven commonly used methods. We have added another one that we think will be better for our system, and is more profitable for the operation to use.

Let's see first the seven methods and explain the eighth one. It will then be up to you to choose whatever method that suits the philosophy of your operation.

1. Actual purchase price: This may be applied to items which are infrequently purchased and of which only a small stock is held.

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<sup>16</sup>Fay, Managerial Accounting for the Hospitality Service Industries, p. 297.

2. Simple average price: This may be applied to items which have a fluctuating market price. When a new purchase is made a new average price should be calculated.
3. Quantity average price: This is a more accurate method which is sometimes used. The quantities are taken into account as well as the price, thus giving a more accurate price.
4. LIFO: This may be applied to items which have a fluctuating market price. This method will be made with the normal rotation of stock, but priced out of the latest purchase price for the item.
5. FIFO: This also may be applied to items which have a fluctuating price. This assumes that issues will be from the earliest purchases and priced accordingly.
6. Inflated price: Here the goods are issued at cost plus 5% to recover the cost of storage charges.
7. Standard price: This is used when the market price of a commodity fluctuates frequently. A standard price is decided on for a given period and the positive and negative variances recorded when purchases vary in price from the standard. This method of pricing will assist measuring the performance of the

kitchen accurately. The setting of the standard price for the next trading period is based on the present standard and anticipated price trends.

8. Higher retail price: This is a new method which can be used when the retail market price fluctuates frequently. The hotel or the restaurant buys most of the commodities at the wholesale price and in big quantities. These prices are 10% to 30% less than the retail price and we believe that these commodities should be charged to the departments at the highest retail price for the week. For example, in January 5th, 78, the hotel bought 200 #10 cans of tomato paste from KAHA Company at 22 piasters each. On February 5th, 78, the kitchen issued a requisition for 5 #10 cans. The price that we think should be charged to the kitchen is 28 piasters which is today's retail price for #10 cans of tomato paste. Many chefs will reject this method because it will increase their food cost. But let's think about it. It doesn't make sense to me when the purchasing department uses a lot of effort to get the best quality with the lowest possible price, and the hotel ties up money in inventories and then charges it to

department at cost. Commodities should be priced at the highest retail price. This method will increase the profitability of the operation. We think this is a fair method of pricing.

CLASS: 8

- Agenda
1. Discussion
  2. Review Quiz #6
  3. Quiz #7
  4. Pre-preparation, preparing and portioning
  5. Sales control

Quiz #7

1. Where should the storerooms be located? Why?
2. What are the eight methods of pricing issues?

Pre-Preparation, Preparing  
And Portioning

"Pre-preparation and portioning encompass the preliminary processing of foodstuffs before actual cooking or preparation begins. Trimming meat, cutting steaks, and peeling vegetables are examples. Lack of sufficient skill, carelessness, or failure to adhere to established standards can result in substantial excess costs in this area. If a butcher portions beef tenderloin into 9-ounce filet mignons instead of the 8-ounce filets specified by management, the cost of the portion served will be increased by over 10 percent; yet only the original menu price can be charged."<sup>17</sup>

There are four major stages in controlling the prepar-

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<sup>17</sup> Ibid., p. 297.

ation of food which together should reduce over-production, loss from inefficient purchasing and processing, and loss from excessive portion sizes. The operation of the four stages in a food control system should aid management in controlling food costs efficiently and maximizing the profitability of the operation.

- The four stages are:
1. Volume forecasting
  2. Standard yields
  3. Standard recipes
  4. Standard portion sizes

1. Volume forecasting is the planning of production, in other words, it is a method of predicting the volume of sales for an operation for a specified future period. The objective of this method is to predict the total number of meals to be sold in each outlet of the hotel at each meal period; to predict the choice of menu items by customers; to facilitate purchasing; to control food cost in relation to sales; to enable the food controller to compare the actual volume of business done by each outlet with the potential volume of business as forecasted ; and for management to take action where necessary.

Volume forecasting is usually done in two stages-- an initial forecast and a final forecast. The initial forecast is prepared a week in advance, and shows the estimated total number of meals to be sold in each outlet, the estimated total of each menu item; for each day of the following menu week. The initial forecast should be based on past records, advance bookings, current events, and current trends. In the

completion of the initial forecast, the predicted sales of each menu item are converted into quantities of foodstuffs. The totals for each food item required for each meal period are itemized and listed, and are used for writing out the requisition notes to the stores.

The final, more accurate forecast usually takes place the day before the preparation and service of the particular meal. The final forecast takes into account the previous day's food production and food sales figures.

2. Standard yield is the yield obtainable when an item is processed in the particular standard methods of preparation, cooking and portioning of an establishment.

Standard yields can be worked out for all commodities, but it is more common that they will only be prepared for the more expensive items, such as meat, poultry and fish. The method used in determining the standard yield of a commodity is one of experimentation in order to arrive at an acceptable product for the customer and an acceptable commodity cost to the establishment.

You have to conduct periodic yield tests in your operation under your direct supervision as a food and beverage manager. The purpose of these tests is to establish standard yields for all the expensive commodities. The objectives of standard yields are: to establish a standard for the quantity and number of portions obtainable from a specific item of food; to establish a standard for comparison; to establish a standard cost; to assist in menu costing and pricing; and to

assist in converting forecast requirements into raw material requirements.

3. Standard recipe is a formula for producing a food item of specified quality and quantity. It should show the precise quantities for the ingredients together with the sequence of preparation. The recipe cards should be available for all cooks and we suggest that you put all the recipes in a filing cabinet in the kitchen, but not in the chef's office.

The objectives of standard recipes are: to pre-determine the quantities and the quality of the ingredients; to pre-determine the yield obtainable from a recipe; to facilitate internal requisitioning, and to facilitate portion control.

4. "To distribute equal amounts of food to consumer under a fixed pricing policy and to gain the proper yield from a product, food must be portioned for service."<sup>18</sup>

A standard portion size represents the number of grams or ounces of a food item is to be served to customers. The portion size is determined by the management in conjunction with the chef. There may be two standard portion sizes for the same commodity in an establishment depending on whether the commodity is offered on a table d'hote or an a la carte menu. Management should provide the suitable equipment to help the cooks to regulate the size of portions of each

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<sup>18</sup> William J. Morgan, Jr., Supervision and Management of Quantity Food Preparation (Berkeley: McCutchan Publishing Corporation, 1974), p. 66.



commodity. Such equipment will include the following:

- A. Scales
- B. Slicing machines
- C. Graded scoops and ladles
- D. Measuring jugs

Scales should be available to check the weight of portions carved. However, with practice, a carver can estimate by eye alone a portion of given size with remarkable accuracy, provided a check is made with the scales occasionally to avoid gradual drifting away from the correct size. You should provide portion charts showing the standard portion size for each item. These charts should be displayed in the kitchen and not in the chef's office.

### Sales

"Foodstuffs may be tightly controlled as they flow through the operation, but without control of sales, the operation still may not be profitable.

The first element of effective sales control is to insure that all foodstuffs served are charged. This can be accomplished by one of several systems, including:

1. A duplicate check system. The server writes the order on a guest check, simultaneously preparing a carbonized duplicate. The duplicate must be submitted to the preparation area to obtain the food.
2. A pre-check system. The server writes the order

on a guest check and registers the correct prices in a machine. The machine "throws" a tape which is presented to the preparation area to obtain food.

3. A checker. Traditionally used throughout the industry, the checker system generally is being phased out in favor of other systems. In this system, an employee who is positioned between the preparation area and the dining area inspects each outgoing item and verifies that it appears on the guest check.

The second element of sales control is to charge the proper prices, that is, those prices that management has determined will produce the desired profit. This can be accomplished by developing a standard price manual which lists every menu item to be served and its price. Menus should be checked against the standard price manual to verify that the correct price has been printed; the guest checks should be audited on a spot-check basis to determine that the established prices have been followed."<sup>19</sup>

The last two elements of the sales control system are to insure that all checks are settled, and to avoid allowances which diminish sales.

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<sup>19</sup>Fay, Managerial Accounting for the Hospitality Service Industries, pp. 303-305.

CLASS: 9

- Agenda
1. Discussion
  2. Review Quiz #7
  3. Quiz #8
  4. Pre-Cost Pre-Control System
  5. Guest Speaker, F & B Manager of Sheraton Cairo

Quiz #8

1. What are the four major stages in controlling the preparation of food?
2. What are the important elements of sales control?

The Pre-Cost Pre-Control System

"The pre-cost pre-control system is a method of operation rather than simply a means of control. It is based on means of control. It is based on intelligent planning to establish a realistic, attainable goal, executing the plan, and measuring performance against the established goals.

Pre-Costing

Pre-costing is the predetermination of the total cost of each item offered in your menus.

Pre-Costing Procedures:

1. Determining the portion cost
2. Determining the make-up cost. The make-up cost

includes everything to be served with the main portion, such as bread, butter, sauces, garniture, etc.

3. Determining the total cost. The determination of the total cost can be done by adding the portion cost to the make-up cost.
4. To determine the probably profitability of the menu.
5. To forecast the anticipated number of sales for each item by using the sales history records.
6. Calculation of total potential cost.
7. Calculation of total potential sales.

### Pre-Control

Pre-control translates the menu sales forecast to production guides. This involves determining the total number of portions of each item to be prepared and the required commodities for the preparation.

To establish a production guide, you follow these steps:

1. Review past sales
2. Establish the ratio of each item
3. Forecast volume
4. Forecast the sales for each item
5. Utilize the standard portion sizes, standard yield, and standard recipes to determine the kind and quantity of foodstuffs to be requisitioned."<sup>20</sup>

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<sup>20</sup>Michael Hurst, Lectures in Restaurant Management (Florida International University, 1977).

Advantages of Pre-Cost Pre-Control System

1. Provides data for better scheduling
2. Provides data for comparison between standard and actual food cost
3. Minimizes over-production
4. Coordinates purchases and preparation with sales data
5. Provides sales data which help merchandizing
6. Provides data which help inventory planning

Guest Speaker

CLASS: 10

- Agenda
1. Discussion
  2. Review Quiz #8
  3. Quiz #9
  4. Hurst's Concept of Food Control
  5. Hurst's Menu Scoring Theory
  6. Problems

Quiz #9

What is the pre-cost pre-control food cost accounting system?

Hurst's Concept of Food Control

The food control system should be tied in all the phases of the food cycle.

A. Purchasing

1. The most important thing in food purchasing is quality and yield.
2. The purchasing function is to look first for quality and service and then the price.
3. The idea of better food purchasing system is to get the lowest price for the quality.
4. You must have your own purchasing specifications.
5. Build a reputation among the suppliers that you are looking for quality.

6. Keep records of your food purchases.
7. Analyze the price history to determine the seasons. This will help you to plan your purchases in terms of dollars.
8. Determine the quantities needed from your price history.
9. Deal only with suppliers who have good reputations.
10. There is no substitute for quality; but you have to teach your customers that you are serving good quality; it increases the sales volume.
11. The person who is in charge of food purchasing must have good knowledge about food.
12. Always refer to market reports to determine if your prices are good or not.
13. Purchasing is related to delivery and must be scheduled. This helps in organizing the function and saves in labor cost.
13. The purchasing duty is a routine function. While the receiving duty is more important, it is the phase in which you can catch the quality variations.

B. Receiving

1. A scale is mandatory and should be used.
2. All items should be weighed, counted, and checked.

3. The receiving clerk should stamp the invoice and sign it to acknowledge receipt of quality and quantity.
4. Check the quality against the specifications.
5. The invoice should be in the English language even in Egypt.

#### C. Storing

1. Only authorized persons are allowed in the storing areas
2. Make sure of the integrity of the storekeeper
3. After the service, return the goods that have not been used to the storeroom
4. Establish an ingredient room
5. Minimize keys issued
6. Rotation of the locks is very important; maintain a program for that
7. Maintain a perpetual inventory and check it against physical inventory.

#### D. Issuing

1. Requisitions should be signed by authorized persons only
2. Issuing can be from the refrigerators or the storeroom
3. Only authorized personnel are allowed to enter the walk-in cooler
4. After service, coolers should be locked
5. Food transferred from one place to another



in the hotel should be identified

6. The daily inventory control is very important.  
Opening inventory + purchases = ending inventory + cost of food
7. Issuing should be scheduled to save in labor cost

#### E. Production

1. Yield tests
2. Roast-meat charts
3. Leftover control
4. Standard recipes
5. Quality control
6. Standard portion sizes

The name of the game is:

1. The daily food cost calculation
2. Make sure that the control system is operating every day
3. Maintain the food cost record, today, to date, and comparison with previous figures
4. The paper work has to be done every day in your department

#### Menu Scoring

Menu scoring is a management tool to measure the menu profitability and through proper use and analysis will result in increasing the gross profit dollar.

The name of the game is writing menus for profit, not for cost.

Menu Scoring Procedures

1. Decide the period for which scoring is to be done
2. Decide which items are to be counted, making sure that this represents the major portion of your menu
3. Calculate the food cost for each item selected
4. Determine the number of orders of each item sold during the scoring period
5. Obtain figures showing the total meals served to customers during the same period
6. Calculate as follows:
  - A. Total item sales: Menu count times item selling price
  - B. Total item food cost: Sales dollars times food cost percentage
  - C. Accumulate total sales for items counted and total food cost for items counted. Add the number of menu items counted.
  - D. Meal average: Total sales divided by number of counted covers served.
  - E. Menu gross profit percentage: gross profit divided by sales
  - F. Gross profit average per meal: Meal check average times gross profit percentage
  - G. Percentage of customers eating items counted: Number of counted items served by total meals served
  - H. Menu score: Percentage of popularity times gross profit average by meal.

\* What does menu scoring do?

Menu scoring guides thinking of management and provides a measuring device for the menu change to be made as a result of the scoring.

\* What does the menu score mean and how will I use it?

By itself, menu scoring has little value. It's value comes when it is compared and analyzed. The higher the score the better the menu in terms of profitability.

Naturally, the score doesn't incorporate labor problems and equipment utilization. These are considered to be management problems which must be used to evaluate the score.

Differences in score between menus should be analyzed with the following questions:

1. Is the cause of a lower score a low check average?
2. Is the cause of a lower score a lack of popularity for the items?
3. Is the cause of lower score a low gross profit percentage?

Take an action to revise your menus.

Problem

You have two menus. Find out which one has the best score and write some suggestions to improve the other one.

Menu A: The menu count on sales for chicken is 100, shrimp 100, and steak 150. The food cost is relatively LE

LE 0.50, LE 0.75, and LE 1.00. The selling price per item is relatively LE 1.25, LE 1.75, and LE 2.25. During this period the total no. of customers, was 500.

Menu B: The menu count on sales for turkey is 150, shrimp 75, and steak 75. The food cost is relatively LE 0.75, LE 0.75, and LE 1.00. The selling price per item is relatively LE 1.45, LE 1.75 and LE 2.25. During this period the total customer was 400 guests.

Answer

Item	S.P. for Item	Item Count	Pop. of Item	F.C. for Item	Total Item Sales	Total Item Cost
Chicken	1.25	100	20	0.50	125	50
Shrimp	1.75	100	20	0.75	175	75
Steak	2.25	150	30	1.00	337.50	150
		<u>350</u>	<u>70</u>		<u>637.50</u>	<u>300</u>

$$\text{- Average Check} = \frac{637.50}{350} = \text{LE } 1.82$$

$$\text{- Average G.P} = \frac{637.50}{350} - 300 = \text{LE } 0.97$$

$$\text{- Popularity of Items} = \frac{350}{500} = 70\%$$

$$\text{- Menu Score} = 0.97 \times 70 = 67.9$$

Item	S.P. for Item	Item Count	Pop. of Item	F.C. for Item	Total Item Sales	Total Item Cost
Turkey	1.45	150	37.5	0.75	217.50	112.50
Shrimp	1.75	75	18.7	0.75	131.25	56.25
Steak	2.25	50	12.5	1.00	112.50	50.00
		<u>275</u>	<u>68.7</u>		<u>461.25</u>	<u>218.75</u>

- Average Check =  $\frac{461.25}{275} = \text{LE } 1.68$
- Average G.P. =  $\frac{461 - 218.75}{275} = 0.88$
- Popularity of items =  $\frac{275}{400} = 681$
- Menu Score =  $0.88 \times 68 = 59.8$

Menu A is better than Menu B because it has a higher score. To improve Menu B you may substitute turkey with another item such as chicken or lamb to increase the popularity of the shrimp and the steak. At the same time you may put on your menu a cold turkey dish to be served as an appetizer.

The design of the new menu should highlight an item that has a good gross profit such as steak.

CLASS: 11

- Agenda
1. Discussion
  2. Review Quiz #9
  3. Quiz #10
  4. Ratio analysis
  5. Handout, FTHM Hotel's Balance Sheet and Income Statement

Quiz #10

1. What is menu scoring?
2. What are the information needed to score a menu?

Food and Beverage Department's

Activity Ratios

In a food service operation, as in any other business establishment, two basic statements are prepared. One is the balance sheet and the other is the profit and loss statement. In addition to these two statements, additional statements or schedules such as statement of changes in financial position and retained earnings schedule may be included.

Today's food and beverage manager should not only know the bottom line in these statements, but should also analyze them and use the results of the analysis to guide his operation, evaluate his performance, and set his standards and goals.

Activity ratios are intended to show how effectively the assets of the business are being utilized. These ratios may assist in measuring the effectiveness of controls over the amount invested in certain assets. They are usually expressed as turnover or percentages. These percentages should be compared to the hospitality industry norms but in Egypt it is not possible because the Hotel Association does not publish any norms. Therefore, you should compare the percentages to your previous years percentages and/or to another similar operation.

1. Food inventory turnover: This ratio shows the number of times that the food inventory is turned during the year. You can obtain the number of times food inventory is turned by dividing the total food cost by the average inventory for the year.

$$\text{Food inventory turnover} = \frac{\text{total cost of food sold}}{\text{average food inventory}}$$

2. Beverage inventory turnover: This ratio shows the number of times that the beverage inventory is turned during the year.

$$\text{Beverage inventory turnover} = \frac{\text{total cost of beverage used}}{\text{average beverage inventory}}$$

3. Average check(food): This represents the average sales volume of food per cover.

$$\text{Average check} = \frac{\text{Food sales}}{\text{Number of food covers}}$$

4. Average check (beverage):  $\frac{\text{Beverage sales}}{\text{Number of customers}}$

5. Food cost percentage: This expresses the relationship between the amount spent to purchase the food which was sold and the food sales.

$$\text{Food cost percentage} = \frac{\text{Cost of food sold}}{\text{Food sales}}$$

6. Beverage cost percentage: This expresses the relationship between the amount spent to purchase the beverage which was sold and the beverage sales.

$$\text{Beverage cost percentage} = \frac{\text{Cost of beverage sold}}{\text{Beverage sales}}$$

$$7. \text{ Seat turnover} = \frac{\text{Number of guests}}{\text{Number of seats available}}$$

8. Food and Beverage sales percentage =

$$\frac{\text{F \& B Sales}}{\text{Total Revenue}}$$

9. F & B department payroll percentage =

$$\frac{\text{F \& B Payroll}}{\text{F \& B Sales}}$$

You have to teach your food and beverage controller how to calculate all these ratios and keep track of them, and develop your own norm or standard. This analysis will help you in many things such as:

1. Marketing and sales plan
2. Forecasting
3. Purchasing
4. Promotion plan
5. Control



6. Pinpointing the weak points
7. Setting standards

Problem

Analysis of FTHM Hotel's financial statements.

CLASS: 12

- Agenda
1. Discussion
  2. Review Quiz #10
  3. Quiz #11
  4. Labor cost and control
  5. Guest speaker. Trend in labor cost in the next ten years.

Quiz #11

Give four possible reasons why the actual gross profit percentage of sales may be less than the budget percentage.

Labor Cost

Labor cost comprises all costs of employing staff, whether paid in cash or in any other way. From the monthly payroll will be included the total of gross pay and employer's contribution to National Social Insurance. These add up to the total paid in cash for the employment of staff, but there will also be costs incurred for supplying meals, uniforms, and perhaps transportation and accommodations of staff. Most of the international hotels in Cairo accommodate the expatriated managers and their families. This constitutes a large amount of money.

The payroll should be in Egyptian pounds not in American dollars or French francs. Some of the hotels do pay the expatriates through their headquarters in Paris or New York. This is a violation of the Egyptian hard currency exchange law.

There is a false impression among some people that low wages result in low labor costs. On the contrary, with low wages you often get what you pay for in low-productive personnel. It is better for an operation to pay a fair wage to three good workers than to pay substandard rates to four people doing the same amount of work.

Labor cost for our hotels is not a problem because the supply is more than the demand. However, with better labor cost control you can increase your employee's salaries and decrease the labor cost percentage. What we mean by increasing the employee's salaries is to raise the salaries. The salary structure of most of our hotels is not adequate and we expect by the year 1986 most hotels will be forced to change their salary structure.

#### Labor Cost Control

1. Cross-training
2. Better hiring procedures and good selection of help
3. Work simplification
4. Work production standards
5. Good supervision
6. Control of overtime
7. Better scheduling

8. Use of equipment
9. Use of limited menu
10. Use of convenience food
11. Control reports
12. Training programs for all levels

Guest Speaker

Assistant Director of the Hotel Association "Trends in Labor  
Cost."

CLASS: 13

- Agenda
1. Discussion
  2. Review Quiz #11
  3. Quiz #12
  4. Wine
  5. Aperitifs
  6. Hard Liquors

Quiz #12

List ten points that can be used to control labor cost.

Wine

Wine is the naturally fermented juice of freshly gathered ripe grapes, which have been pressed at or near the place where gathered.

Wines can be either white or red; still or sparkling; sweet or dry; heavy or light; distilled or natural; young or aged.

1. Color: The significant practice in the making of all white wines is the removal of the grape juice from the skins at the earliest possible moment. Grapes are crushed and pressed immediately upon arrival at the vatting shed and the juice collected in tanks to ferment. For red wines, grapes are fermented with their skins, for varying lengths

of time, depending upon the type of wine, the specific characteristics of the vintage, and the traditions of the region.

2. Still or sparkling: Still wines are the wines which do not contain  $\text{CO}_2$ . Sparkling wines are produced by a second sugar-alcohol fermentation, generally induced artificially, either in the bottle--champagne process--or in enclosed tanks or vats--Charmat process.



3. Sweet or dry: White wines are sweet, semi-sweet, or dry depending upon how complete is the conversion of sugar into alcohol. Sweet wines result from the fact that sugar will not normally ferment after 15% to 16% of alcohol has been generated. In practice dry wines are allowed to proceed until all the sugar is fully fermented.
4. Heavy or light: Red wines are either heavy or light. Light means low in alcoholic content and in tannin.
5. Distilled or Natural: Distillation is based on the fact that alcohol, being lighter than water, vaporizes at a lower temperature with the result that when a slightly alcoholic liquid is heated to a temperature between the two boiling points, the vapours that rise can be caught and condensed back to form a liquid with a higher alcoholic

content. If a wine is distilled the result will be brandy. Cognac is a brandy but brandy is not Cognac.

6. Young or aged: Not all wines improve with age. Some, notably the dry whites, are at their best when young. Most of wines improve, both in barrel and in bottle. As a general rule red wines can be aged more than white wines.

### Beverage Classification and Bar Setting

1. Aperitifs
2. Hard Liquors
3. Cordial Liquors
4. Beers
5. Sodas

The first two categories should be shelved in the following sequence.

#### Aperitifs

- |                   |                         |
|-------------------|-------------------------|
| 4. Sherry wine    | 1. Red vermouth         |
| 5. Port wine      | 2. White dry vermouth   |
| 6. Dubonnet       | 3. White sweet vermouth |
| 7. Bitter Campari |                         |
| 8. Amer Picon     |                         |
| 9. Ferro China    |                         |
| 10. Fernet Branca |                         |
| 11. Ouzo          |                         |
| 12. Pernaud       |                         |
| 13. Ricard        |                         |

Vermouth: It is a pasteurized beverage made from wine, aromatic herbs, brandy, juniper and other plants. Each manufacturer guards his exact ingredients and their proportions. Vermouth was previously being made only in Italy, and now it is produced all over the world. The two main types are "French" and "Italian."

Sherry wine: It is a fortified wine. Grape brandy has been added to bring up the alcoholic content to between 15% and 18%. Most connoisseurs agree that, before a dinner at which wines will be served, a dry sherry is the perfect aperitif.

Port wine: Port wine is a Portuguese fortified wine. Port may be served at the end of the meal with cheese. The alcoholic content of the Port is 20%.

Dubonnet: "A dark red, proprietary French aperitif made of sweetened wine base with bitter bark and quinine added to impart the characteristics taste."<sup>21</sup>

Bitter Campari: Italian bitters flavoured with orange peel and aromatic herbs. The liquor is made by Fratelli Campari in Milan.

Amer Picon: "A proprietary French bitters used as an aperitif, made with a wine and brandy base to which has been added quinine, orange peel, and innumerable herbs."<sup>22</sup>

Ferro China: Egyptian aperitif made from red wine and aromatic herbs which contain iron.

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<sup>21</sup>Alexis Lichine, Encyclopedia Of Wines and Spirits (New York: Alfred A. Knopf, 1972), p. 245.

<sup>22</sup>Ibid., p. 71.



Fernet Branca: Italian aperitif which contains iron. It is one of the best-known Italian bitters.

Ouzo: A spirit made in Greece. It is not made from wine but from the fermented juice of raisins and anis.

Pernod: French aperitif, anis-flavoured, Very popular drink, especially in summer time.

Ricard: French aperitif, liquorice-flavoured. Ricard is stronger than Pernod.

### Hard Liquors

#### 1. Scotch whisky

Regular

Special

#### 2. American Whiskey

#### 3. Canadian whisky

#### 4. Gin

#### 5. Vodka

#### 6. Rum

#### 7. Cognac

Hard liquors have high content of alcohol because they are distilled.

Scotch Whisky: The most popular alcoholic drink in Egypt. Scotch whisky is made from barley and aged in cask for two or three periods (a period is four years).

American Whiskey: Known as Bourbon in the Egyptian market. Bourbon whiskey matures in new, charred oak barrels, it picks up color and flavor year by year. Bourbon reaches

maturity after three to four years. Bourbon is sweeter and fuller bodied than Scotch.

Canadian Whisky: Canadian Whisky is known in our market as Rye. However, corn, rye, wheat and barley malt are the grains generally used. All Canadian whisky is six years old or older when it is bottled. If it is less than four years old, its age must be listed on the label.

Gin: "Gin is a juniper flavoured spirit obtained by the distillation and rectification of the grain spirits of malted barley and rye--or sometimes of corn or maize."<sup>23</sup>

Three principal types of gin are British, American, and Dutch. Dutch gins are very full flavored, full bodied, and possess a clean malty aroma. British and American are lighter in flavor and body than the Dutch gin, but have much more aroma and taste. American gins are either 80, 86, or 90 proof; British gins usually 94 proof.

Vodka: Vodka is an alcoholic distillate from a fermented mash of grain distilled at a high proof and free from taste and odor. "It has been popularly and erroneously believed that vodka was made principally from potato starch. While vodka can be made from potatoes or from any starch substance susceptible of conversion into sugar and subsequent fermentation and distillation."<sup>24</sup>

Rum: Rum is a distillate from the fermented juice of

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<sup>23</sup>Ibid., p. 275.

<sup>24</sup>Harold J. Grossman, Grossman's Guide to Wines, Spirits, and Beers, 5th ed. (New York: Charles Scribner's Sons, 1974), p. 297.

sugar cane, or molasses. "There are three main classifications of rum: the very dry, light-bodied, brandy-like rums, generally produced in the Spanish-speaking countries, of which Puerto Rican rums are today's outstanding example; the rich, full-bodied, pungent rums usually produced in the English-speaking island and countries, the best example of which is Jamaica rum; and the light-bodied but pungently aromatic East Indian Botavia Arak rum from Java."<sup>25</sup>

Most of the rums are 80 proof or 86 proof, and some 90 proof.

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<sup>25</sup>Ibid., p. 302.

CLASS: 14

- Agenda
1. Discussion
  2. Review Quiz #12
  3. Quiz #13
  4. Cognac
  5. Cordial liquors
  6. Champagne and sparkling wines
  7. Handout
  8. Field trip "Stella Beer Company."

Quiz #13

List in order the names of aperitif's bottles needed in your bar.

Cognac

Cognac is the heart of the second fermentation of wine produced from grapes grown in Charente and aged for at least three years in casks made of limousin oak.

The "Cognac region of France" is an area in western France north of Bordeaux and bordering the Atlantic Ocean. The area of the vineyards lies in the two departments of Charente and Charente Maritime. The Cognac region has been divided into seven subdivisions ranked in order of the quality of the Cognac made therein, as follows:

1. Grande Champagne
2. Petite Champagne
3. Borderies
4. Fins Bois
5. Bon Bois
6. Bois Ordinaires
7. Bois Communs

The subdivisions correspond closely to the composition of soil in which the grapes are grown, the Grande Champagne having a shallow soil containing about 35 percent limestone. A "Fine Champagne" Cognac is required to have been produced from grapes grown in the two Champagnes.

### Cognac Production

The winegrower harvests his grapes in the fall, generally in October, then crushes and presses them. The juice is allowed to become wine by natural fermentation.

The wine is heated in a fixed copper kettle and after a time the brandy elements pass up as steam into the curved 'swan throat'. Condensed by cooling the steam becomes the brouillis. The alcoholic content of the brouillis is between 25 and 30%. The process is repeated and only the heart of the distillate, a white brandy of 70% alcohol, is used.

Once distilled, Cognac goes into a Limousin oak barrel. During the aging period, various changes occur: a decrease in the volume of the Cognac, a change of degree, dissolution of tannins.

Blending is the next step and it is done a stage at a time to let the brandies rest. Faible, or weak brandy, is then added to reach an alcoholic content of 40 percent.

When it is ready, the Cognac is put into bottles which have been rinsed with Cognac, and corks which have been dipped in Cognac. Now it is ready for consumption.

There is a good deal of misunderstanding about the question of age in Cognac. As a rule of thumb we can say that the letters on the labels represent the following:

V.O.P	Very Old Pale
V.S.O.P.	Very Superior Old Pale
V.V.S.O.P.	Very Very Superior Old Pale
EXTRA	Extra

You have to know that the longer a Cognac is left in the barrel to age, the more of the darkening tannin it absorbs from the oak.

#### Cordial Liquors

"Cordials are beverages compounded from spirits with fruit or aromatic substances added by a variety of methods, such as maceration, steeping, or simply by mixing. They are always sweetened. The word cordial has come to be almost synonymous with liqueur."<sup>26</sup>

The base spirits for most cordials is grain neutral spirits or brandy.

Cordials can be grouped into five broad divisions.

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<sup>26</sup>Lechine, Encyclopedia of Wines and Spirits, p. 302.

These divisions are fruits, seeds, aromatic herbs, peels, and cremes.

Some of the famous brands in the Egyptian market are;

Cherry Heering

Cointreau

Curacao

Grand Marnier

Creme De Cocoa

Creme De Menthe

Creme De Cassis

Creme De Vanille

Benedictine

Kummel

Chartreuse

Drambuie

### Champagne

Champagne is the most delicate and delightful of all wines. It is expensive because it takes so long to produce.

"The only wine with any right to the name Champagne is that made from certain legally specified grapes grown in limited and well-defined sections of the province of France called Champagne, vines tended and vinified according to a body of strict local rules. It is partly soil, partly climate, partly vines, and partly labor and tradition which make Champagne what it is. Sparkling wines produced in other parts of the world may be good, but none will ever be Champagne."<sup>27</sup>

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<sup>27</sup>Ibid., p. 181.

Some people prefer dry Champagne and other prefer sweet Champagne. Therefore, shippers have adopted a simple system of marking their labels.

Brut	.5 to 1.5% sweetening
Extra Dry	1.5 to 3% sweetening
Dry	3 to 5% sweetening
Semi-Dry	5 to 7% sweetening
Sweet	7% or more sweetening

The difference between Champagne and sparkling wines is that Champagne is produced in the province called Champagne in France. The second fermentation occurs in the bottle and under the French Government's regulations. Sparkling wines can be produced in any part of the world. There are several methods for the production of sparkling wines. The best of these wines are made by the Champagne method of secondary fermentation in bottles. The others are made either by the bulk process or by adding carbon dioxide in much the same way as it is pumped into gassy drinks.



CLASS: 15

- Agenda
1. Discussion
  2. Review Quiz #13
  3. Quiz #14
  4. Bar Control
  5. Guest speaker. Food and Beverage Controller,  
Meridien Hotel, Cairo

Quiz #14

What is the difference between Champagne and sparkling wines?

Bar Control

The control of bars is an important matter to a catering business, and if not properly handled can become a major problem.

Beverage cost control is easier than food cost control. However, you have to develop a tight control system and carried out in all the phases of beverage cycle. In other words, a good system requires records and checks on the movement of beverages from the time they are purchased to the time money is collected.

There are not two identical operations. Therefore, you have to develop a control system that suits your needs.

We are going to give you some points that you can use as a basis for your beverage control system.

1. Keep a perpetual inventory for each brand that you carry. Perpetual inventory should be calculated daily by adding the daily purchases to the beginning inventory and subtracting the issues. You will end up with the ending inventory.
2. Set a safety level and a reordering point for each brand.
3. Have a periodic physical inventory and match it with the perpetual inventory.
4. Stamp the bottles to identify the bar with different colors or codes and change them from time to time.
5. Issue the bottles on a bottle to bottle basis.
6. Maintain a par stock for each bar. The bar stock is based on the number of bottles used for each brand on a peak day plus an extra bottle.
7. Break the empty bottle, corks and caps.
8. No issue is permitted without an authorized requisition. A copy of the requisition should be sent to the accounting department.
9. The receiving clerk should check all cartons and make sure that the stamp of the Egyptian Chemical Company is on all of the bottles.
10. Schedule the issuing from the cellar and keep the storeroom closed after the issuing time.

11. Only authorized personnel are allowed into the storeroom.
12. Keep recipe cards for all the cocktails that you offer in your drink list.
13. Keep charts for the size of the shots.
14. Determine the size of glasses and the pouring system.
15. List but not the least is the cash register machine. The cash register is the ultimate point of control. "There must be a ring for each transaction."<sup>28</sup>

Guest Speaker

Food and Beverage Controller

Meridien Hotel--Cairo

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<sup>28</sup>Hurst, Lectures in Restaurant Management.

CLASS: 16

- Agenda
1. Discussion
  2. Review Quiz #14
  3. Quiz#15
  4. Break-even point analysis
  5. Example on the mathematical calculation of break-even point
  6. Handout problems on break-even point

Quiz #15

What is the ultimate point in bar control.

Break-Even Point Analysis

A restaurant is run for profit and it is the responsibility of every manager to plan for profit and set the goals. Break-even point analysis is one of the managerial tools which have been developed to help managers in terms of planning and evaluating the performance.

"A successful manager plans expenses and controls costs before they are incurred. He finds out what volume, combination of products, and quantities of labor can provide enough profit so there is an adequate return on the money invested in the business.

In other words, you need to analyze costs, volume, and profit and do it critically and objectively; and you

need a method or tool for doing it. There are a number of tools you can use to do this job. But one of the most effective is what is known as break-even analysis."<sup>29</sup>

"The break-even point is the point at which the income from sales will cover all costs with no profits. Management usually considers several factors when studying break-even analysis:

1. The capital structure of the company
2. Fixed expenses such as rent, insurance, heat, and light
3. Setup of the organization
4. Variable expenses
5. The inventory, personnel and space required to operate properly.

The study of these factors will inform management of the possibilities of lowering the break-even point and increasing the gross profit margins."<sup>30</sup>

Break-even point analysis can provide you with a lot of information which is useful for decision making. By analyzing your fixed, semi-variable, and variable costs you can determine the profit or loss at any given volume of sales,

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<sup>29</sup>Charles E. Eshbach et al., Food Service Management (Boston: Cahners Books), p. 177.

<sup>30</sup>Maizel, Food and Beverage Cost Controls, p. 187.

the volume of sales to achieve a predetermined rate of return, and the profit if one of the costs has increased or decreased.

To determine the break-even point you can use either graphical or mathematical methods. There are few mathematical steps that you have to follow to arrive at the Break-even point.

1. Determine your net sales
2. Determine your fixed expense
3. Determine your variable expense
4. Calculate the variable expense percentage by dividing the variable expense by total sales
5. Subtract the variable cost percentage from sales percentage which is 100%. You will get the contribution margin.
6. Divide the fixed expense by the contribution margin. You will get the level of sales you break-even.

#### Break-even Point Formula

You can also use the following formula to determine the level of sales at which your operation break-even.

$$\text{B.E.P.} = \frac{\text{Fixed Cost}}{1 - \frac{\text{Variable Cost}}{\text{Sales}}}$$

#### Example

A restaurant has a fixed expenses of LE 5000, variable cost of LE 8000, and sales are LE 12000. At what level of sales will this restaurant break-even?

Answer

$$\begin{aligned}
 \text{B.E.P.} &= \frac{\text{Fixed Cost}}{1 - \frac{\text{Variable Cost}}{\text{Sales}}} \\
 &= \frac{5000}{1 - \frac{8000}{12000}} \\
 &= \frac{5000}{1 - 66\%} \\
 &= \frac{5000}{34\%} = \text{LE } 14.705
 \end{aligned}$$

This means that the restaurant has to generate LE 2705 more than the actual sales in order to break-even.

CLASS: 17

- Agenda
1. Discussion
  2. Review Quiz #15
  3. Review problems on break-even point
  4. The elements of management
  5. The supervisor's qualities
  6. Leadership style and roles

Human Element in the Hospitality

Service Industry

The Elements of Management

"The management of food production, like all other forms of management, requires sufficient knowledge of all elements of the system to be able to relate each to the other so as to obtain the major objectives of the company. It is more than knowing how to cook an egg. It is also knowing what type of eggs to use; the sanitary conditions to be maintained; the yield to be realized from an egg; the storage conditions to be followed; the best equipment to use in processing a particular egg dish; the quality of performance to be expected of an employee producing that dish; and the pricing structure applicable to the item."<sup>31</sup>

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p. 17. Morgan, Supervision and Management of Quantity Food,



A manager of a hotel or a restaurant must be knowledgeable, firm, fair, consistent, understanding, and honest. These are a few traits. The nature of our business is different than any other type of business. In fact, it is unique because we deal with a wide variety of people and we face different types of problems. Thus, the more knowledgeable a manager, the better his chances to achieve the organization's goal. A manager should have knowledge of accounting, operations, control, planning, technology, human resources, marketing, and government regulations.

The human element is the backbone of our industry. Thus, you as a manager have to train your supervisors how to deal with people and how to motivate them.

#### The Supervisor's Qualities

"No man possesses all these qualities completely, but the man who understands wherein he is deficient is making progress toward that goal.

1. There should be a mutual respect between supervisor and subordinate; and the burden of fostering this mutual respect should fall upon the supervisor. He should ask himself whether he enjoys the respect of each individual under him. What is more, he should ask himself whether he has done any specific things, by act or word, to demonstrate conclusively to each person that he respects him or her.

2. There should be an understanding with subordinates of what is required by the job. A good supervisor makes it his business to let each person know what he is supposed to do in order to win advancement. He also sits down with the employee and has a sincere talk with him about his work, his opportunities and his obligations.
3. The good supervisor is easily approachable. He never tries to avoid the approach of a subordinate by putting on a busy air, nor does he try to hurry through a talk with one of his people. Rather, he tries to make it easy for a subordinate to take up even personal matters with him by giving immediate, interested attention.
4. He maintains an attitude of open-mindedness in disagreements, and toward suggestions. He is glad to have subordinates come to him with their suggestions. He is not stubborn about accepting the viewpoint of subordinates, and he listens patiently, and without annoyance, when a subordinate presents an idea with which he disagrees.
5. He is fair and impartial, insofar as it is possible. He does not have special arrangements or leadings with individuals that could not be explained satisfactorily to others under his supervision. In addition, he tries not to allow his personal likes or dislikes to alter his treatment of individuals.

6. He controls himself. He doesn't lose his temper, in fact, he makes it a point never to indulge in arguments with his subordinates.

7. If he makes promises he keeps them. He doesn't make promises the fulfillment of which is dependent upon the approval or act of some one above him, nor does he ever make promises with the intention of finding some way out before the time for fulfillment arrives. Employees never have to remind him of unfulfilled promises.
8. He requires patience of himself. If new employees are slow to grasp new ideas, or if experienced employees fail to measure up to expectations, he does not become irritable.
9. He is properly appreciative not only of a good piece of work, but also of consistently good work over a long period of time. He also expresses this appreciation to others besides the individual doing the good work.
10. He is consistent, and does not ask for too much work sometimes and too little work at other times. He does not grant privileges on some days which are not granted on others.
11. He is loyal to the interests of his workers. He accepts full responsibility for the mistakes of his department instead of laying the blame on individuals under him.
12. He is reasonable in his demands. Thus, in assigning tasks that he has never done himself, he gives careful consideration to the amount of work

a subordinate can reasonably be expected to turn out. He does not require any one to put in more overtime than he does himself.

13. He is observant of the details of his office administration. He knows what work each subordinate is doing each day and can write down in detail the way work is handled in his department. Infractions of the rules or of good practice are usually observed by him first, rather than called to his attention by others.
14. He works with an aim, sets a definite goal, expects to get out a certain volume of work, has a standard of accuracy, and plans to develop his subordinates by a definite plan."<sup>32</sup>

The success of a food service operation depends greatly upon the morale of your team. Our business is to provide services, friendship, and security to the guests. Thus, each of your employees has to work in an ambiance which is surrounded with friendship and security. As a rule, the better you handle your people the better they will serve your guests. Your staff has to be cohesive and maintain this cohesiveness by giving responsibilities and developing their leadership traits.

### Leadership

"The nature of leadership is to stimulate and direct

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<sup>32</sup>David R. Turner, Food Service Supervisor (New York: Arco Publishing Company, Inc., 1969), pp. 241-242.

the efforts of followers to accomplish the organization's goal or complex of goals. The essence of leadership is defining some goals and showing your staff how pursuing the purpose he has outlined will help to accomplish their desires and needs.

You have to understand that there is a difference between leadership and management. Leadership is basically the ability to shape the attitudes and behavior of others, whether in formal or informal situations but management is the formal task of decision and command.

There are three major factors that affect the leadership's role:

1. The leader is the dominant factor in a leadership situation because of the nature of his role. In a formal organization his power to do so is de jure authority granted him by the organization. In an informal organization is de facto authority comes from the followers themselves. Subordinates follow a leader in order to achieve self-interests.
2. The role of the followers is to use their talents to the best of their abilities and in accordance with the leader's directions for the improvement of the organization's total effort.
3. The goal determines the nature of work that must be performed for its accomplishment.

You as a manager should understand that any change in any one factor of leadership will cause repercussions on

the other factors and bring about new balance among them."<sup>33</sup>

We have mentioned earlier in this class leadership development. This includes both education and training. The ultimate purpose of any leadership development program is to alter or develop behavior and attitude patterns. The program is concerned with three skills, technical skill, required at lower levels, conceptual skill is a must at top portions of the organization structure, and human skills is demanded at every level.

### Roles

"Management must understand both role and status as they are inseparable influences on an organization's success; it must place a balanced emphasis on status and role if organizational success is to be realized.

Roles are essential for members to work cooperatively within the organization framework. The purpose of role behavior is two fold: from an organizational point of view, it is aimed at goal accomplishment; from the individual's point of view, it is aimed at personal need satisfaction."

Therefore, you should organize, control, evaluate, and motivate your people to achieve the operation's goals."<sup>34</sup>

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<sup>33</sup>William J. Morgan, Jr., Lectures in Organization Behavior (Florida International University, 1978).

<sup>34</sup>Ibid.

CLASS: 18

Agenda 1. Discussion

Communication and Decision Making

Communication

"Communication is the use of symbols, signs, actions, words, and pictures by an originator to transmit a stimulus designed to initiate a desired response on the part of a receiver. In other words, communication is an attempt to achieve a complete and accurate understanding between two or more people.

Communication system is considered as one of the linking systems in the micro environment. Thus, the communication system links the work system, human factors system, authority system, and the organization structure system.

Functions of Communication

Basically communication has four major functions:

1. To inform affected parties of a particular event.
2. To persuade or stimulate subordinates to take the action the management group desires.
3. To initiate the action necessary to attain the organization's missions.
4. To facilitate social contracts.



A message may be written or oral. A written message is usually used for large groups, different locations, documentation, complex message, and authenticity. An oral message is usually for simple message, quick message, and small group.

Communication collapses when management doesn't fully understand the position, when there is an atmosphere of emotional disturbance, or when there is a lack of trust. With good communication system management should be able to gather a rich variety of data for decision making, and these data enable management to make better forecasts and decisions to improve the organization effectiveness.

### Decisions

Decisions are the heartbeat of organization activity and are made mostly by management. There are two kinds of decisions. Objective decisions are made after a study and analysis of several alternatives to select a course of action. Subjective decisions are made without conscious mental effort.

It is essential that every manager understand the general significance of each area and the specific significance of each as it relates to his unit of responsibility and service level. These individual managers should view their own decision-making and command system with consideration to the larger decision making and command system of which they are a part. This requires awareness of the philosophy of management of the organization and an understanding of micro, intermediate, and macro environment.

The most important part in decision making is the planning for decisions, and analysis and study of the decisions. Planning is concerned with determining a set of specifications regarding the quantity and quality of systems and their ingredients to implement the mission. Thus, a plan should be specific about the use of the human system, the work system, and the linking systems."<sup>35</sup>

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<sup>35</sup>Ibid.

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