

FOOD & BEVERAGE

COST & CONTROL

TEXT BOOK

CLASS XII



CENTRAL BOARD OF SECONDARY EDUCATION

Preet Vihar, Delhi-110 092 India

नया आगाज़

आज समय की माँग पर
आगाज़ नया इक होगा
निरंतर योग्यता के निर्णय से
परिणाम आकलन होगा।

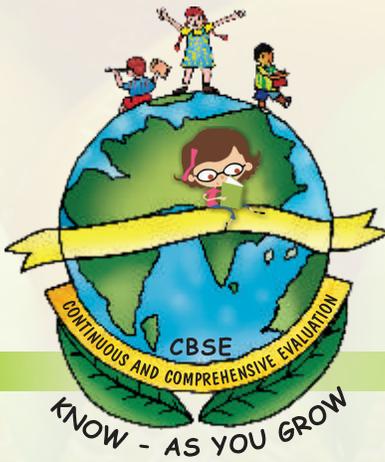
परिवर्तन नियम जीवन का
नियम अब नया बनेगा
अब परिणामों के भय से
नहीं बालक कोई डरेगा

निरंतर योग्यता के निर्णय से
परिणाम आकलन होगा।

बदले शिक्षा का स्वरूप
नई खिले आशा की धूप
अब किसी कोमल-से मन पर
कोई बोझ न होगा

निरंतर योग्यता के निर्णय से
परिणाम आकलन होगा।

नई राह पर चलकर मंज़िल को हमें पाना है
इस नए प्रयास को हमने सफल बनाना है
बेहतर शिक्षा से बदले देश, ऐसे इसे अपनाए
शिक्षक, शिक्षा और शिक्षित
बस आगे बढ़ते जाएँ
बस आगे बढ़ते जाएँ
बस आगे बढ़ते जाएँ.....



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CENTRAL BOARD OF SECONDARY EDUCATION

Shiksha Kendra, 2, Community Centre, Preet Vihar, Delhi-110 092 India



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Preface

The Central Board of Secondary Education has initiated a policy of introducing competency based Vocational Courses in various sectors of the economy in collaboration with leading industries of the similar field. The objective of such courses is to develop employable skills among the students for self as well as job employment. The Board has initiated the process to revamp the vocational education in the country by making it more acceptable and useful for the students. Under such program, the Central Board of Secondary Education in collaboration with National Council for Hotel Management and Catering Technology (NCHMCT), has introduced two Vocational Packages mainly

1. Food Production
2. Food & Beverage Services at Senior Secondary Level.

The Curriculum of **Food Beverage Cost & Control** introduced by CBSE from the academic session 2010-2011 in class XII, gives an insight into the basic concept of Food Cost and its Control in hospitality sector. The present Text book "**Food Beverage Cost & Control**" is about understanding concepts of Food Cost Control, Cost and Costing and Beverage Control system through numerous numericals based on it. The book also emphasizes upon various operating activities like Purchasing Receiving Storing and issuing.

While keeping the language of the text book simple and easy, theoretical based numerical and illustrations along with its solutions are employed to make reader easily understandable of the theoretical concepts. Since illustrations form an indispensable part of visual impression through flow charts on cost control, formats to make the concepts easy to understand. Though the scope of present course is very wide, yet the author has tried their best to cover adequately the syllabus at senior secondary level. Any suggestion(s) to improve the textbook is welcomed from both students and the faculty.

The Board acknowledges the contribution made by the team of experienced authors in completing the manuscript. The text book on Food Beverage Cost and Control is an outcome of a series of meetings organized by the Vocational cell. The process initiated under the direction of Sh. Shashi Bhusan, Former Director (Edusat and Vocational) was completed under the guidance of Dr. Rashmi Sethi (Education Officer) and her team. A special mention to the efforts of Research Fellow, Ms. Sunaina Srivastava who carefully proof read the manuscripts. The Board duly acknowledges the role of NCHMCT, Noida for Technical guidance to promote the hospitality education at school level in India. I am sure this book would serve the purpose of a useful resource material for students and the teachers.

Vineet Joshi, IAS
Chairman, CBSE



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भारत का संविधान

उद्देशिका

हम, भारत के लोग, भारत को एक ' [सम्पूर्ण प्रभुत्व-संपन्न समाजवादी पंथनिरपेक्ष लोकतंत्रात्मक गणराज्य] बनाने के लिए, तथा उसके समस्त नागरिकों को:

सामाजिक, आर्थिक और राजनैतिक न्याय,
विचार, अभिव्यक्ति, विश्वास, धर्म
और उपासना की स्वतंत्रता,
प्रतिष्ठा और अवसर की समता

प्राप्त कराने के लिए, तथा उन सब में, व्यक्ति की गरिमा और [राष्ट्र की एकता और अखण्डता] सुनिश्चित करने वाली बंधुता बढ़ाने के लिए दृढ़संकल्प होकर अपनी इस संविधान सभा में आज तारीख 26 नवम्बर, 1949 ई० को एतद्वारा इस संविधान को अंगीकृत, अधिनियमित और आत्मार्पित करते हैं।

1. संविधान (बयालीसवां संशोधन) अधिनियम, 1976 की धारा 2 द्वारा (3.1.1977) से "प्रभुत्व-संपन्न लोकतंत्रात्मक गणराज्य" के स्थान पर प्रतिस्थापित।
2. संविधान (बयालीसवां संशोधन) अधिनियम, 1976 की धारा 2 द्वारा (3.1.1977 से), "राष्ट्र की एकता" के स्थान पर प्रतिस्थापित।

भाग 4 क मूल कर्तव्य

51 क. मूल कर्तव्य - भारत के प्रत्येक नागरिक का यह कर्तव्य होगा कि वह -

- (क) संविधान का पालन करे और उसके आदर्शों, संस्थाओं, राष्ट्रध्वज और राष्ट्रगान का आदर करे;
- (ख) स्वतंत्रता के लिए हमारे राष्ट्रीय आंदोलन को प्रेरित करने वाले उच्च आदर्शों को हृदय में संजोए रखे और उनका पालन करे;
- (ग) भारत की प्रभुता, एकता और अखंडता की रक्षा करे और उसे अक्षुण्ण रखे;
- (घ) देश की रक्षा करे और आह्वान किए जाने पर राष्ट्र की सेवा करे;
- (ङ) भारत के सभी लोगों में समरसता और समान भ्रातृत्व की भावना का निर्माण करे जो धर्म, भाषा और प्रदेश या वर्ग पर आधारित सभी भेदभाव से परे हों, ऐसी प्रथाओं का त्याग करे जो स्त्रियों के सम्मान के विरुद्ध हैं;
- (च) हमारी सामासिक संस्कृति की गौरवशाली परंपरा का महत्त्व समझे और उसका परीक्षण करे;
- (छ) प्राकृतिक पर्यावरण की जिसके अंतर्गत वन, झील, नदी, और वन्य जीव हैं, रक्षा करे और उसका संवर्धन करे तथा प्राणिमात्र के प्रति दयाभाव रखे;
- (ज) वैज्ञानिक दृष्टिकोण, मानववाद और ज्ञानार्जन तथा सुधार की भावना का विकास करे;
- (झ) सार्वजनिक संपत्ति को सुरक्षित रखे और हिंसा से दूर रहे;
- (ञ) व्यक्तिगत और सामूहिक गतिविधियों के सभी क्षेत्रों में उत्कर्ष की ओर बढ़ने का सतत प्रयास करे जिससे राष्ट्र निरंतर बढ़ते हुए प्रयत्न और उपलब्धि की नई उंचाइयों को छू ले।

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a **SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC** and to secure to all its citizens :

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the ² [unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do **HEREBY TO OURSELVES THIS CONSTITUTION.**

1. Subs, by the Constitution (Forty-Second Amendment) Act. 1976, sec. 2, for "Sovereign Democratic Republic (w.e.f. 3.1.1977)
2. Subs, by the Constitution (Forty-Second Amendment) Act. 1976, sec. 2, for "unity of the Nation (w.e.f. 3.1.1977)

THE CONSTITUTION OF INDIA

Chapter IV A

Fundamental Duties

ARTICLE 51A

Fundamental Duties - It shall be the duty of every citizen of India-

- (a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;
- (b) to cherish and follow the noble ideals which inspired our national struggle for freedom;
- (c) to uphold and protect the sovereignty, unity and integrity of India;
- (d) to defend the country and render national service when called upon to do so;
- (e) To promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;
- (f) to value and preserve the rich heritage of our composite culture;
- (g) to protect and improve the natural environment including forests, lakes, rivers, wild life and to have compassion for living creatures;
- (h) to develop the scientific temper, humanism and the spirit of inquiry and reform;
- (i) to safeguard public property and to abjure violence;
- (j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement.



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CHAPTER 1

FOOD COST CONTROL

LEARNING OBJECTIVES

After completing this chapter learners would be able to:

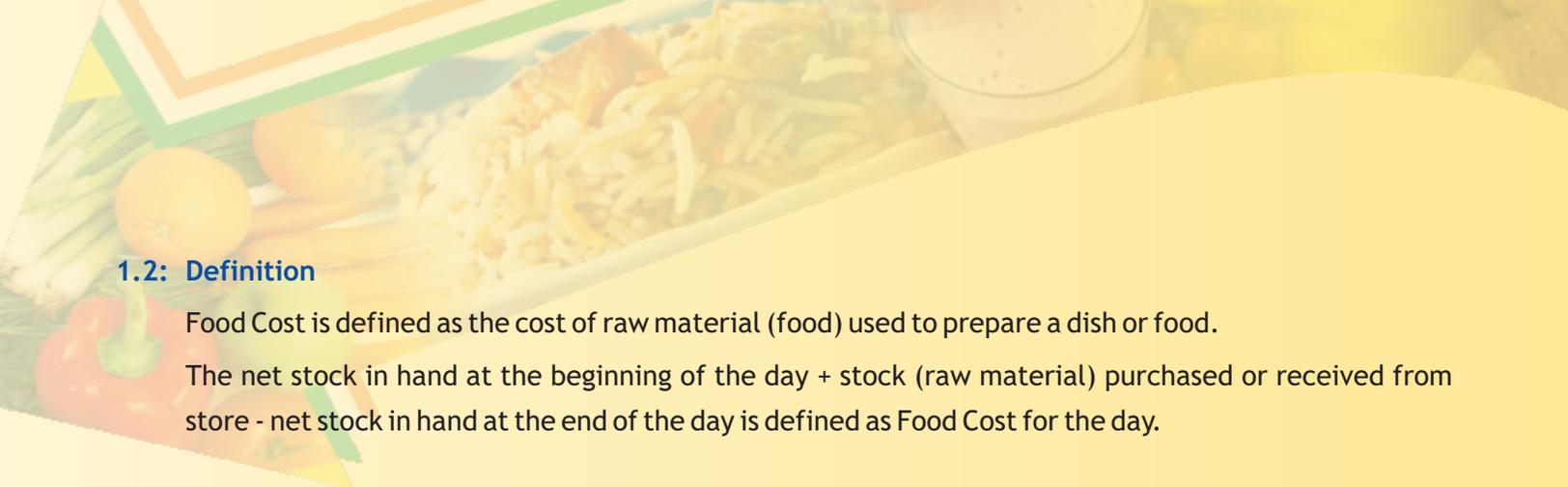
- (i) Understand the concept of Food Cost in Hospitality sector
- (ii) Understand the economic importance of Food Cost Control
- (iii) Know the advantages of Food Cost Control
- (iv) Observe the limitations and obstacles to Cost Control
- (v) Know about the necessities and methodology
- (vi) Write steps of different phases of cost control

CONCEPT :

- 1.1 Introduction to Food Cost and its Control
- 1.2 Definition
- 1.3 Objectives and Advantages of food cost control.
- 1.4 Possible obstacles to food cost control.
- 1.5 Limitations of food cost control.
- 1.6 Methodology & phases of cost control.
- 1.7 purposes of food cost Accounting
- 1.8 Essentials of food cost control

1.1: Introduction to Food Cost and its Control

Costing should not be confused with cost accounting. Costing is simply the process of arithmetic, means of memorandum statements or the methods of integral control. Costing is the technique and process of ascertaining costs. The principles and rules, which govern the procedure of ascertaining costs of products or services, is the technique used in ascertaining costs. With the development and changes in methods, the techniques of costing change. To control the Food Cost; the purchasing, receiving, storing, issuing, food production, food sales, etc. are to be controlled.



1.2: Definition

Food Cost is defined as the cost of raw material (food) used to prepare a dish or food.

The net stock in hand at the beginning of the day + stock (raw material) purchased or received from store - net stock in hand at the end of the day is defined as Food Cost for the day.

1.3: Objectives and Advantages of Food Cost Control:

In hotel industry, the food cost is classified into materials (raw food cost). It is a major portion of the total cost. The smaller the hotel / restaurant more are the food cost and larger / exclusive the hotel / restaurant less is the food cost. Food Cost is one of the major costs of the Restaurant and there is always a risk of food cost going high and low due to the negligence of the staff. In case the food cost goes high then that means direct loss to the hotel / restaurant; as the cost of sale (Food Cost) will go high and the gross profit (sale - food cost) will come down. On the other hand if the food cost is low then that means either the guest is given a small portion or he is served sub standard quality of food. This will subsequently result in losing permanent customers and hence will reduce sale and profit. In case food cost is not controlled carefully then, in spite of restaurant making good sale it may run into net loss. By controlling the cost control we can assure the profitability of the hotel / restaurant in case the sale is more than the Break Even Point Sale.

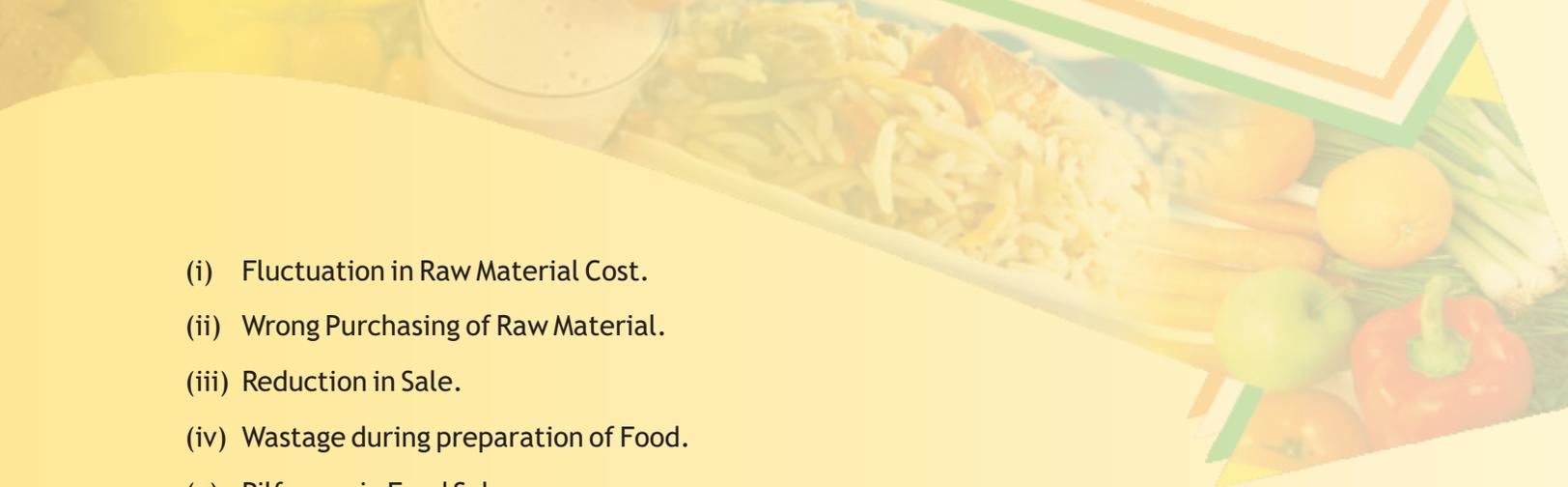
1.4 Possible Obstacles to Food Cost Control.

There are numerous obstacles which affect on the food and beverage items cost.

- (i) The cost of the basic raw material varies from season to season and depending upon the size of order. In off season the cost of raw material is always more.
- (ii) In case a large quantity of goods (raw material) are ordered then the cost of each unit is much less as compare to when a small quantity of goods (raw material) is ordered.
- (iii) The price of raw material may always go high during the shortage of goods in the market due to high consumption or low production.

1.5 : Limitations of Food Cost Control

It looks very simple that if the standard recipe and portion size control is followed then the food cost will be always under control. In actual, in spite of following standard recipe and portion size the food cost may differ. The following factors affect the food cost, which may or may not be under the direct control of Chef and the Management.

- 
- (i) Fluctuation in Raw Material Cost.
 - (ii) Wrong Purchasing of Raw Material.
 - (iii) Reduction in Sale.
 - (iv) Wastage during preparation of Food.
 - (v) Pilferage in Food Sale.
 - (vi) Spoilage due to wrong storage.

1.6 Methodology and Phases of Cost Control

(i) PURCHASING:

The purchase department must ensure that the right quality of food, at competitive price and right quantity of raw material should be procured to keep the cost control.

(ii) RECEIVING AND STORING OF RAW MATERIAL:

The raw material received by stores must be inspected for the quality and the quantity desired, and in case found not up to requirement should be returned to supplier for replacement. All stores received must be stored at a proper place. It is saying that in stores there should, 'a place for every thing and every thing is place'. The store keeper must ensure that no food item should get spoiled and if it happens then it is charged to store keeper.

(iii) ISSUING:

All goods should be issued after a proper requisition. The store keeper must follow the rule of 'FIRST IN FIRST OUT (F.I.F.O.)', which means the goods received first are issued first.

(iv) WASTAGE:

The wastage, at all levels, i.e. Portioning, Cooking, Storing, etc. should be as minimum as possible. The wastage of food should be avoided. All trimmings of vegetables, bones, and other raw material wastes should be used to cook stock, soups, gravies, sauces, etc.

(v) PROPER STORING OF COOKED FOOD:

In case the cooked food is left at the end of the day then it must be stored at a proper temperature so that it can be used on the following day, if so required.

(vi) SPOILAGE:

The cooks must ensure that there should be as far as possible no spoilage of food in the kitchen.

(vii) ENSURE NO FOOD IS SERVED WITHOUT BILL:

In case food is allowed to be picked up without proper bill then this will increase the food cost.

(viii) PORTION CONTROL:

The chef must ensure that dish is as per the standard portion, as both the larger portion and smaller portion is harmful to the hotel / restaurant. A large portion will increase the food cost and a small portion will dissatisfy the guest.

(ix) STANDARD RECIPE:

The Chef must ensure that always standard recipe should be followed, or otherwise, the guest may not always find similar standard of the dish and this will dissatisfy him.

The objectives and advantages of Food Cost Control are to satisfy the guest and make reasonable good profit at all times.

1.7 Purposes of Food Cost Accounting

(i) To Know Cost:

It is through the mechanism of cost accounting that costs of products or services are ascertained. Any of the method may be used to know the cost but it should be near to the actual costs.

(ii) To Fix the Selling Price:

Only if one knows the total cost than one can fix the selling price of a dish. The selling price is fixed in Restaurants, keeping in view the food cost. More the luxury restaurant, low is the food cost and vice versa. A small road side restaurant may have as high as 45 - 50% food cost and a speciality restaurant may have as low as 17 - 20% food cost.

(iii) Cost Controlling:

The Chef / Restaurant Manager / Cost Accountant while fixing the selling price of a dish must know its exact recipe. He must also keep in mind the labour cost, the over heads while fixing the food cost and its variances.

(iv) Preparation of Account and Control of Food Cost:

He will regularly review the production, sales and operating results, stocks of raw material and finished food and other items are valued at cost price or market price, whichever is lower. The stock inventory is taken by physically verifying each item. After ascertaining the stocks and taking a note of costs and sales, he is able to control the food cost.

(v) Operating Policies:

The Food Cost Accounting helps management in formulating operating policies like what should be the food cost, whether to bake bakery products in house or out source. Even desserts can be bought from outside if the sale of the same is not sufficient to keep a dessert chef.

1.8 : Essentials of Food Cost Control

- (i) Proper Purchasing
- (ii) Control in Purchasing
- (iii) Follow Purchasing Procedure
- (iv) Control Food Production
- (v) Follow Standard Recipe
- (vi) Follow Standard Portion Size

SUMMARY / RECAPITULATION:

- (i) Food Cost should not be confused with costing.
- (ii) Food cost is defined as the cost of raw material used to prepare the dish / menu.
- (iii) $\text{Sale} - \text{Food Cost} = \text{Gross Profit}$
- (iv) $\text{Sale} - \text{Total Cost} = \text{Net Profit}$

ANSWER THE QUESTIONS:

- Q1. What do you mean by Food Cost? Write in detail the advantages of Food Cost Control.
- Q2. Define food cost. Write in detail the limitations of food cost control.
- Q3. Write in detail the methodology and phases of cost controls.
- Q4. Write in detail the essentials of cost control.



CHAPTER 2

COST AND COSTING

LEARNING OBJECTIVES

After completing this chapter learners would be able to:

- (i) Define and classify of Food Cost
- (ii) Understand Elements of food cost
- (iii) Explain Function of cost
- (v) Understand the concept of Break even point

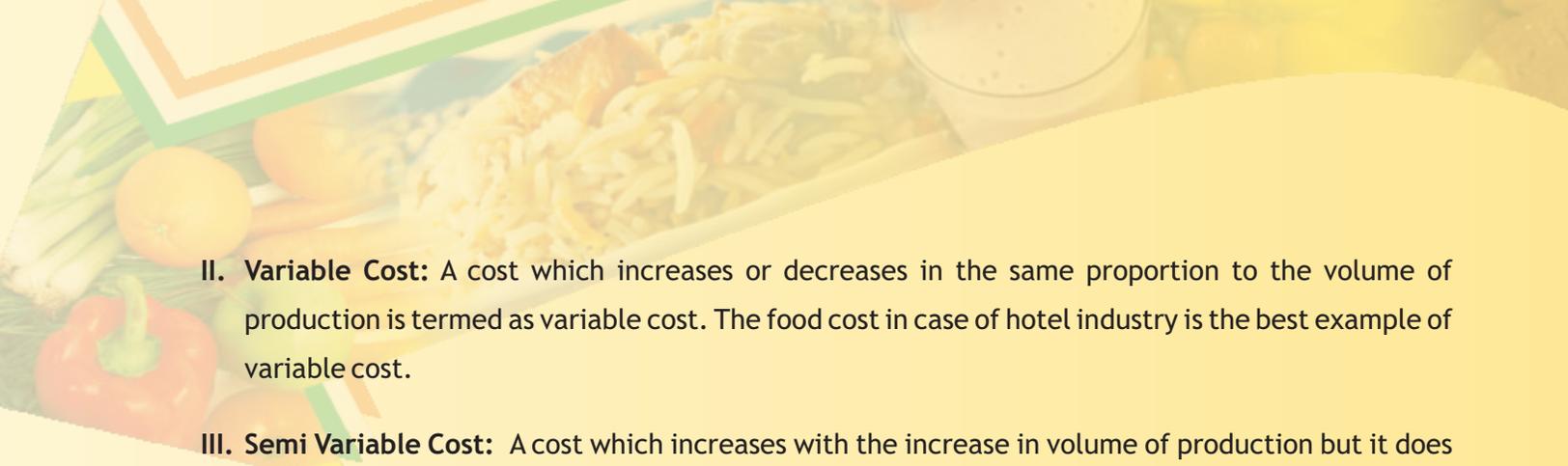
CONCEPT :

2.1 : Classification of Cost

The cost can be classified / grouped in various ways depending upon their nature, elements, function, controllability, etc.

The cost can be grouped as under:

- a) Variability
 - b) Controllability
 - c) Functions
 - d) Normality
 - e) Generally Accepted Cost
- a) **VARIABILITY:** The cost which may or may not vary depending upon the volume of production / sale is termed as variable cost. Some type of costs remains fixed and other cost may vary with the increase or decrease in production, sale, etc. Under this head the cost can be classified in the following ways:
- I. **Fixed Cost:** A cost which remains constant with the increase or decrease in the volume of production is termed as Fixed Cost. But when the volume increases beyond certain level then the fixed cost jumps to the higher level and again it remains fixed in spite of increase or decrease in the volume of production and vice versa. It is also called 'capacity cost' or 'period cost'. It usually includes rent, interest, depreciation, insurance, etc.



II. **Variable Cost:** A cost which increases or decreases in the same proportion to the volume of production is termed as variable cost. The food cost in case of hotel industry is the best example of variable cost.

III. **Semi Variable Cost:** A cost which increases with the increase in volume of production but it does not increase in the same proportion, is termed as semi variable cost. And in the case the volume of production decreases, this cost also decreases but, again, not in the same proportion. It includes the cost of telephone charges, power charges, etc. It is also termed as 'semi fixed cost'.

b) **CONTROLLABLE COST:** The costs which can be controlled by the department / unit head are termed as controllable. The broad divisions under this head are:

I. **Controllable Cost:** The costs which can be controlled by the departmental head are termed as controllable cost. It means the costs which can be controlled by a particular responsibility centre like direct material cost, direct wages, direct expenses, etc. are termed as controllable cost.

II. **Uncontrollable Cost:** The cost which can not be controlled by the departmental head or by a particular responsibility centre are termed as uncontrollable cost. This includes rent, interest, etc. for a Chef as he has no authority to control these costs. He is only responsible to control the food cost, fuel cost, pilferage, etc. And these will be termed as controllable for him.

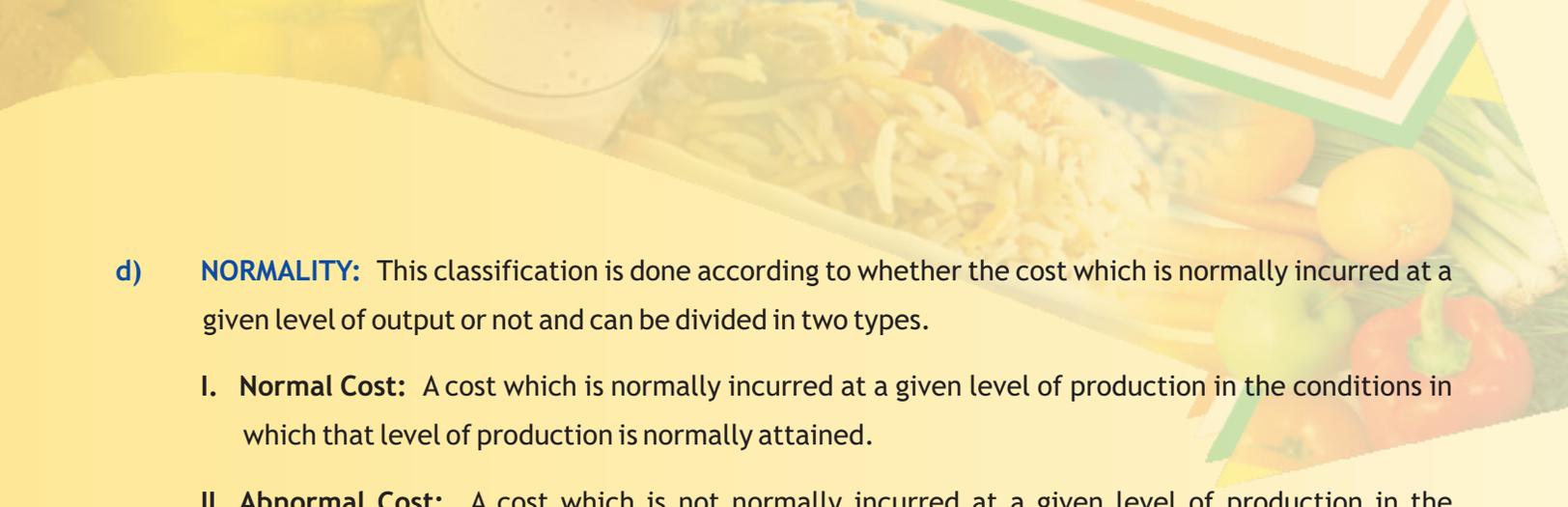
c) **FUNCTIONS:** The cost can be grouped according to the purposes for which they are incurred. Functional grouping / classification can be done in the following:

I. **Production Cost:** The production of food or goods is termed as production cost. This includes supplying materials, labour, services, finishes, packaging and storing of the product.

II. **Administration Cost:** The cost incurred for policy, direction, controlling are termed as administration cost but it does not include cost related to research, development, production, marketing, selling, etc.

III. **Selling Cost:** The cost related to marketing and selling is termed as selling cost.

IV. **Distribution Cost:** It includes packing of products available for dispatch and ends with making the reconditioned returned empty packages available for re-use.

- 
- d) **NORMALITY:** This classification is done according to whether the cost which is normally incurred at a given level of output or not and can be divided in two types.
 - I. **Normal Cost:** A cost which is normally incurred at a given level of production in the conditions in which that level of production is normally attained.
 - II. **Abnormal Cost:** A cost which is not normally incurred at a given level of production in the conditions in which that level of production is normally attained.

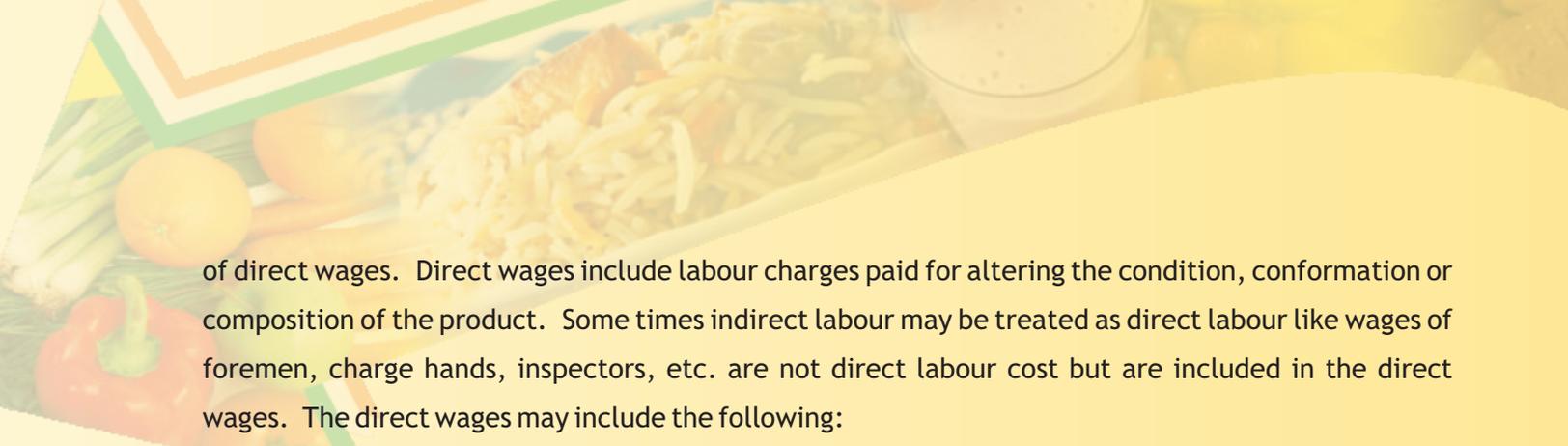
 - e) **GENERALLY ACCEPTED COST:** The costs which are generally calculated and given importance in the hotel / hospitality industry include the following:
 - I. **Food Cost:** The total cost which is incurred for the production of a dish, menu or restaurant's kitchen is termed as food cost for the dish, menu or restaurant respectively.
 - II. **Labour Cost:** The total money paid for salary, wages and other perks to employees working in a restaurant / hotel is termed as labour cost.
 - III. **Over Heads:** The money paid for other expenses like rent, depreciation, interest, electricity bill, etc. for the normal functioning of a restaurant / hotel is termed as over heads.

2.2: Elements of Cost

The following are the elements of cost:

- a) **Food Cost**
 - I. **Direct Materials Cost:** In case of food industry the food cost is termed as direct material cost and includes all food articles either used in the raw form or in semi cooked or cooked form in order to finish the dish and sell. In case a part of the dish is cooked in other kitchen then the cost at which the dish / portion is prepared is debited by making an inter-departmental requisition. For example the butchery prepares the standard steak and then it is transferred to the Continental Kitchen to complete the dish.

- b) **Labour Cost**
 - i) **Direct Wages:** Direct wages / salaries are the wages which can be allocated to cost centre or cost unit. Payment of direct wages and in some cases payment of indirect wages fall within the definition



of direct wages. Direct wages include labour charges paid for altering the condition, conformation or composition of the product. Some times indirect labour may be treated as direct labour like wages of foremen, charge hands, inspectors, etc. are not direct labour cost but are included in the direct wages. The direct wages may include the following:

- a) Laborers engaged in altering the condition, conformation and composition of the product.
- b) Inspectors, analysts, etc. specifically required for the production of the products.
- c) Wages paid to foremen, charge hands, etc. is termed as direct wages.

ii) Direct Expenses: The direct expenses other than the direct material cost and direct wages which can be identified with and allocated to cost center of cost unit are termed as direct expenses. It includes the following:

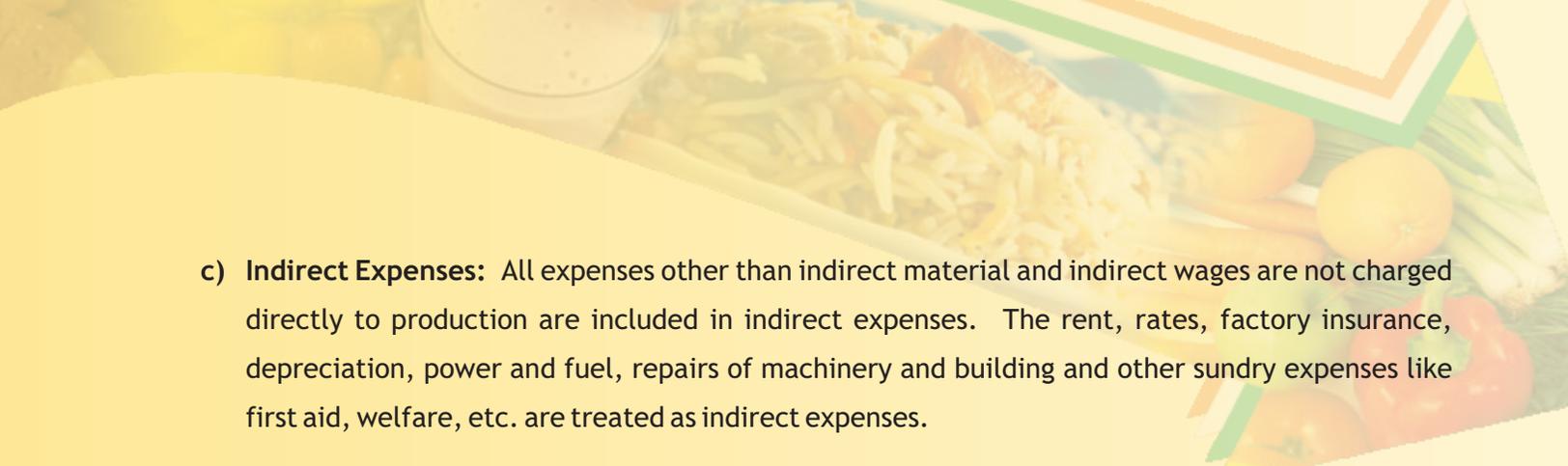
- a) Cost of special designs, drawings or layout.
- b) Hire of special tools or equipments for a specific job.
- c) Maintenance costs of tools and equipments used in production.

c) Over head

i) Production Overhead: Production overhead includes all indirect material cost, indirect wages and indirect expenses incurred for the production of goods in a unit or business house. The expenses for the purpose of production overhead include expenses from the receipt of the order until the completion of order for dispatch of goods. It includes the following groups of indirect items:

a) Indirect Material: The material which can not be traced in the finished products but is a part of the material used for production of goods. Usually this indirect material is of such a small nature that it is not included in the direct expenses and includes lubricants, waste cotton, grease, oils, nails, threads, glue, etc.

b) Indirect Wages: The wages which are not charged directly to direct wages are termed as indirect wages. The emoluments paid to foremen, supervisors, charge hands, inspectors, general labour, maintenance labour, works clerical staff, security guards, etc. are generally included in the indirect wages. Idle time wages, free food and conveyance allowance paid to staff doing overtime, night shift allowance and other fringe benefits are included in the indirect wages.

- 
- c) **Indirect Expenses:** All expenses other than indirect material and indirect wages are not charged directly to production are included in indirect expenses. The rent, rates, factory insurance, depreciation, power and fuel, repairs of machinery and building and other sundry expenses like first aid, welfare, etc. are treated as indirect expenses.
- ii) **Administrative Overhead:** It includes all indirect material cost, indirect wages and indirect expenses incurred in the direction, control and administration of a production house or unit. Printing and stationery, salaries paid to administrative directors, secretaries, accountants, managers, cash collection, treasures, lighting, heating and cleaning of administrative block, legal charges, audit fee, etc. are included in the administrative overhead.
- iii) **Selling Overhead:** It includes all indirect material cost, indirect wages and indirect expenses incurred in the promotion of sales and retention of customers. It includes printing and stationery, mailing literature, catalogues, price lists, salaries paid to sales managers and sales department personnel and rent, insurance premium paid for showrooms and sales offices. It also includes bad debts and collection charges, cash discount allowed, after sales services, etc.
- iv) **Distribution Overhead:** It includes all indirect material cost, indirect wages and indirect expenses incurred with making the packed product available for dispatch and ends with making the re-conditioned returned empty packages available for reuse. It includes packing cases, maintenance and up keep of delivery vehicles, wages of packers, van drivers, dispatch clerks, etc. It also includes carriage and freight outwards, rent, rates, deprecation and insurance of vehicles, warehouses, etc.

Break Even Point

Break Even Point is the point of sale at which one makes neither profit nor loss. In other words, it means that the sale is equal to the total cost. This can be explained in the chart below. (see table 1)

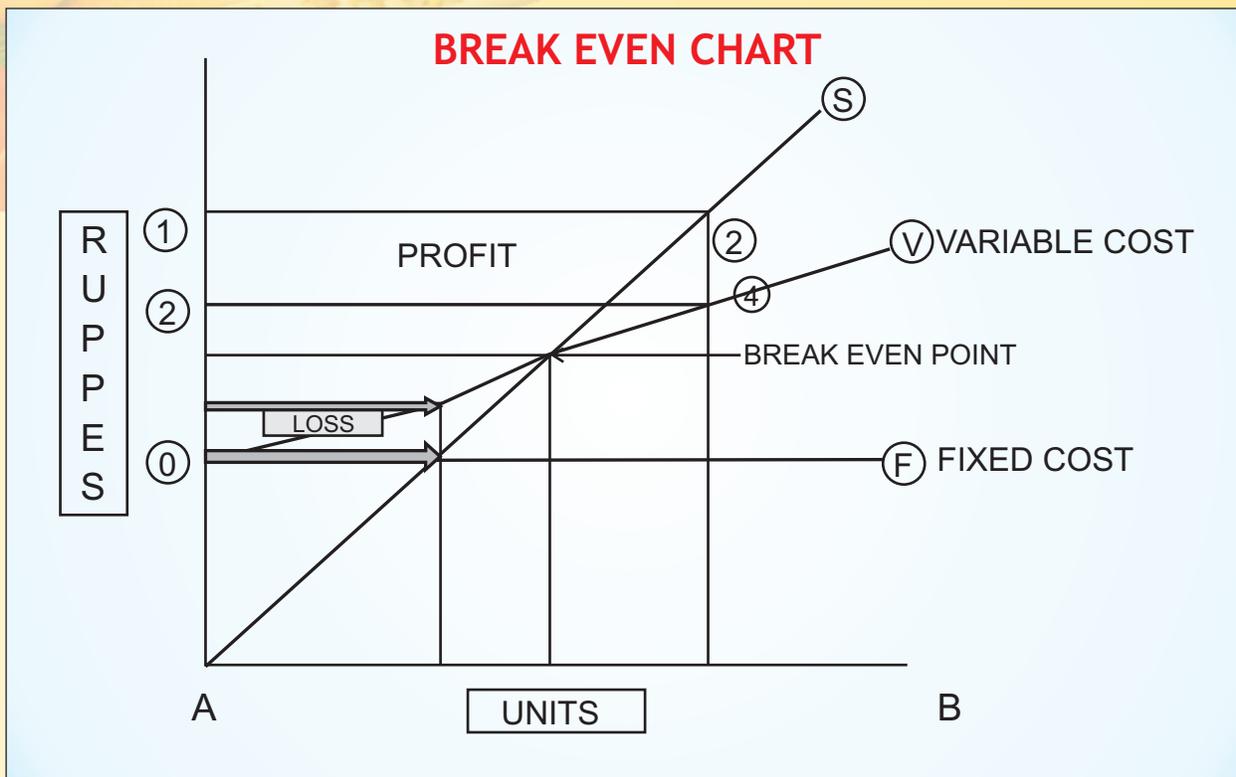


Table : 1

SUMMARY / RECAPITULATION:

1. Food cost is the total cost of raw material (food) used in the production of food / dish / menu.
2. Labour cost consists of total salary, wages and other perks given to staff.
3. All other costs like depreciation, administrative cost, rent, interest, telephone bills, selling expenses, etc. are termed as Over Heads.
4. Bread Even Point is the point of sale at which restaurant neither makes profit nor loss.

ANSWER THE QUESTIONS:

- Q. 1. What do you mean by cost? How will you classify the different costs?
- Q. 2. Write in detail the food cost with examples.
- Q. 3. What do you mean by Labour Cost? Explain with examples.
- Q. 4. What types of costs come under the head of Over Heads? Explain.
- Q. 5. What do you mean by Break Even Point? Explain with diagram.

CHAPTER 3

INTRODUCTION TO COST CONTROL CYCLE



LEARNING OBJECTIVES

After completing this chapter learners would be able to:

- (i) Understand Cost Control Cycle
- (ii) Explain Concept of Purchasing, Receiving, Storing, Issuing, Production Control & Sales Control

3. COST CONTROL CYCLE :

The motive of a Restaurant / hotel is to make reasonable profit at the end of the day. To make profit, it is not only that the sale is to be increased but the cost / total cost of the product is also to be controlled without affecting the portion of the dish or without deteriorating the quality of the dish.

At all levels, from purchasing, receiving, storing, issuing, production (cooking) and sale, the cost have to be controlled. At any level if the cost is not controlled than the restaurant / hotel will not make profit in spite of having a very good sale.

3.1 : PURCHASING:

The purchase department must ensure that the right quality of food, at competitive price and right quantity of raw material should be procured to keep the cost control.

3.2: RECEIVING AND STORING OF RAW MATERIAL:

The raw material received by stores must be inspected for the quality and the quantity desired, and in case it is not found up to requirement, it should be returned to the supplier for replacement. All raw material received must be stored at a proper place. It is saying that in stores there should be , 'a place for every thing and every thing in place'. The store keeper must ensure that no food item should get spoiled and if it happens then it is charged to store keeper.

3.3 : STORING

All raw material received must be stored properly in the stores department attached to the receiving department. In some hotels the perishable items are received in consultation with the Chef or the head of other department who ordered the material. The department who ordered is asked to take the delivery and shift the material to their department.

3.4: ISSUING:

All goods should be issued after a proper requisition. The store keeper must follow the rule of 'FIRST IN FIRST OUT (F.I.F.O.)', which means the goods received first are issued first.

3.5 : PRODUCTION CONTROL AND PROPER STORING OF COOKED FOOD:

The chef must ensure that the standard recipe is strictly followed in kitchens. The dishes served must have the similar presentation with identical accompaniments at all times. In case the cooked food is left at the end of the day then it must be stored at a proper temperature so that it can be used on the following day, if so required. Chefs can Re-Chafe the dishes to give a fresh look and better presentable. The cooks must ensure that there should be as far as possible no spoilage of food in the kitchen.

3.6: SALES CONTROL

In case food is allowed to be picked up without proper bill then this will increase the food cost.

To have a better cost control cycle there are other numerous factors apart from above mentioned points which affect the cost control and these are:

- a) **POLICY:** Policy of purchasing, menu finalisation, interior decoration of the restaurant, etc. should be as per the market requirement. There is no need to design or plan menu which people, at large, do not relish. For example, planning a Thai Menu for a small restaurant where guests do not have the liking of Thai Menu.
- b) **MENU:** Keeping in view the menu / dish, the quantity of raw material should be ordered. For example, for soups one may order for small sized but red coloured tomatoes but for salads tomatoes should be red, large and round.
- c) **VOLUME:** If possible, large volume of raw material should be purchased as the bulk purchasing will be always cheaper. But the large quantity should only be bought if it can be used without losing the quality of the raw material.

SUMMARY / RECAPITULATION:

The controlling of cost on purchasing, receiving, storing, issuing, etc. is a must to make net profit. Otherwise, in spite of large sale, the restaurant may make loss.

ANSWER THE QUESTIONS:

- Q1. How will you ensure a profitable venture for your restaurant?
- Q2. It is not only sale which determines a profitable restaurant. What are the other factors which affect the profitability of the restaurant?

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ANSWER THE QUESTIONS:

- Q1. How will you ensure a profitable venture for your restaurant?
- Q2. It is not only sale which determines a profitable restaurant. What are the other factors which affect the profitability of the restaurant?



CHAPTER 4

BEVERAGE CONTROL

LEARNING OBJECTIVES

After completing this chapter learners would be able to:

- (i) Understand the control of beverage sale
- (ii) Different instruments used in the beverage sale control
- (iii) Understand the Bar Order Ticket (BOT)
- (iv) Explain Beverage Service Sheet
- (v) Understand the Concept of Beverage Sales Summary Sheet
- (vi) Understand the visitors Tabular Ledger (VTL)
- (vii) Understand the Concept Guest Weekly Bill (GWB), Beverage Sales Control, Beverage Order Ticket (BOT), Beverage Check, Beverage Summary, Beverage Sales Summary Sheet, Visitors Tabular Ledger / NCR, & Guest Weekly Book / Day Book / NCR

4.1: BEVERAGE SALES CONTROL:

To ensure that staff does not get tempted to pilferage of the cash sales, certain control procedures are developed for the restaurants / bars and other points of sales. (See Table 1).

FLOW CHART OF FOOD AND BEVERAGE CONTROL

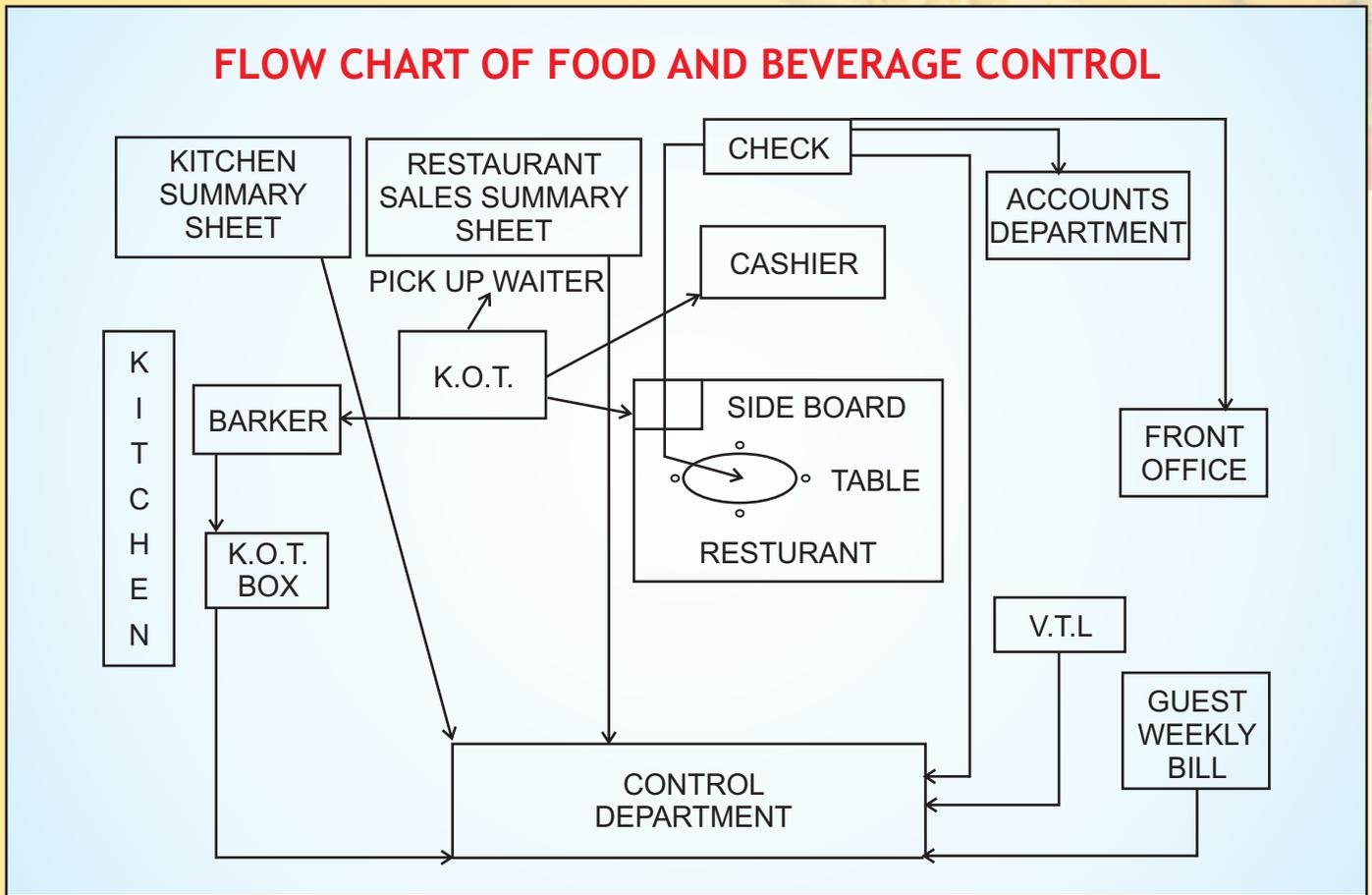


Table : 1

The instruments used for the beverage sales (cash) control are as follows:

1. Beverage Order Ticket (B.O.T.)
2. Restaurant / Bar Check
3. Beverage Summary Sheet
4. Restaurant / Bar Sales Summary Sheet
5. Guest Weekly Bill
6. Visitor's Tabular Ledger (V.T.L.)

(a) : Beverage Order Ticket (B.O.T.):

The four copies of Beverage Order Ticket (B.O.T.) are prepared. The order is taken by the captain on BOT. In case of Restaurant the order is taken on Kitchen Order Ticket (K.O.T.). The original copy of the

BOT is given to the bar man to place the order. After the drink has been picked up by the pick-up waiter, this copy of BOT is kept in the locked BOT box. This box is taken by the control department at the end of the day or shift. The first carbon copy is given to cashier so that he can make the check. The second carbon copy is given to pick-up waiter so that he can pick up the drink from the bar. The last copy is kept at the side stand for the reference of captain or stewards and this helps in service. The specimen of the BOT is given below (See Table 2).

BEVERAGE ORDER TICKET ABC RESTAURANT

B.O.T. NO. 32567

DATE

TIME

TABLE NO	WAITER NO	NO OF PAX	CHEQUE NO
QUANTITY	PARTICULARS		
	PLEASE DO NOT PAY ON THIS		

CAPTAIN'S SIGNATURE

Table :2

Cashier's Signature

CHECK NO. 23564

Table No.	Waiter No.	No. of Pax	BOT No.

Amount ₹ (₹) Cashier's Signature

Table : 3

(c) BEVERAGE SUMMARY SHEET

The Bar man prepares a Bar Summary Sheet (Bar Cost Sheet) with the help of BOT. This summary sheet is prepared in duplicate and a copy each, is sent to the accounts department and the control department. The specimen of Bar Summary Sheet is as below. (See Table 4).

BEVERAGE SUMMARY SHEET

XYZ BAR

SHIFT FROM TO.....

DATE.....

S.NO.	ITEM	OPENING STOCK	INDENT / PURCHASES	TOTAL	CONSUMPTION	CLOSING STOCK

Chef's Signature

Table : 4

(d) BEVERAGE SALES SUMMARY SHEET

On this summary sheet cashier maintains the complete record of bar sales. When he issues a check to pickup waiter, he gets his signature and when he (waiter) returns the check to the cashier then the lower perforated portion of the check (stub), along with cashier's signature and stamp, is returned to the waiter and this is his proof that he has returned the check to the cashier. In case this check is lost then the responsibility is fixed on the cashier or waiter, Who-so- ever is held responsible, is required to pay the price of the check and a fine of ₹1,000. The bar sales summary sheet is prepared in duplicate and a copy each is send to the accounts department and control department. (See Table 5).

BEVERAGE SALES SUMMARY SHEET

Restaurant Name

Date

SHIFT: FROM TO

Time

{ Dr. }

{ Cr. }

C. No.	T. No.	No. of Pax	Time	W. No	SALE						Cash	Dis	L	Rem	Sig
					Food	Bev	Liq	Tob	Vat S.T.	Service Charge					

Table : 5

Bar Manager..... Head Cashier..... Cashier.....

Note: C. No. = Check Number, T. No. = Table Number, Bev. = Beverage, Liq. = Liqueur, Tob. = Tobacco, S.T. = Sales Tax, Dis. = Discount, L. = Ledger, Rem. = Remarks, Sig. = Signature (Cashier)

In case the guest settles his bill in cash then the amount received is shown in the cash column and discount allowed is shown in the discount column. In case the guest settles his bill by signing (either as a hotel resident or as a credit card / debit card holder) then the total amount is shown in the ledger column and in the remarks column the Room Number, Name of the Guest, Credit Card Number / Debit Card Number and other details are entered. The Cashier signs in the Signature column. From food to total column are termed as debit side and cash, discount and ledger column are treated as credit side of the bar sales summary sheet.

(e) GUEST WEEKLY BILL (GWB)

For each resident of hotel a guest weekly bill / bill folio is prepared. All debit and credit (if any) vouchers along with room tariff are posted in this bill and as soon as guest desires to check out this bill is presented to him for settlement. For control purposes a copy each of this is send to control department and accounts department. But the original copy is given to the guest as his receipt.

Note : G.R. No. = Guest Registration Number, VAT = Value Added Tax, V.P.O. = Visitors Paid Out, Dr = Debit, Cr =

SUR-CHARGE																			
TELEPHONE																			
TOBACCO																			
FLORIST																			
NEWS STAND																			
V.P.O																			
MISCELLANEOUS																			
TRANSFER																			
DAILY TOTAL																			
BALANCE B/F																			

GUEST WEEKLY BILL

ABC HOTEL

NEW DELHI

SERIAL NO. 23465

T.NO.

FAX NO.

E-MAIL

HOTEL ACCOUNTING (MANNUAL)

ROOM NUMBER.....

NAME OF THE GUEST MR. /MS.....

Nationality.....

Designation.....

Office Address..... E.Mail..... T.No.....

Permanent Address.....E.Mail.....T.No.....

Date and time of arrival.....Date and time of departure.....

Type of RoomNumber of Fax.....

Rate.....Apartment.....Board.....

Telephone meter reading : Closing..... (-) Opening..... (=) Consumption

.....

Plan.....Billing Instructions.....

Credit Card.....Card Number.....

Date of Expiry

Booked by

DATE													
DAY	₹	P.	₹										
APARTMENT													
BOARD													
BED TEA													
BREAK FAST													
LUNCH													
DINNER													
TEA/COFFEE													
SNACKS													
FOOD SUNDRIES													
SOFT DRINKS													
WINE/BEER													
HARD DRINKS													
SALES TAX/VAT													
LUXURY TAX													
SUR-CHARGE													
TELEPHONE													
TOBACCO													
FLOWERIEST													

Checked and found correct.

Please forward the bill to

.....

.....Cashier.....Signature of the Guest

Note : Bill are payable on presentation. Personal cheques are not accepted. Please ask for a cash receipt along with a copy of the bill. No tipping please.

Note : G.R. No. = Guest Registration Number, VAT = Value Added Tax. V.P.O. = Visitors Paid Out, Dr. = Debit, Cr = Credit, B/F = Brought Forward, C/F = Carried Forward.

Table : 7

VISITOR'S TABULAR LEDGER (VTL)

VISITORS TABULAR LEDGER

ROOM NO.	101	102	103	104	105	201	202	203	TOTAL
NAME									
NATIONALITY									
TYPE OF ROOM									
NUMBER OF PAX									
G.R. NO.									
DATE OF ARRIVAL									
TIME OF ARRIVAL									
DATE OF DEPARTURE									
TIME OF DEPARTURE									
PLAN									
RATE : APARTEMENT									
BOARD									

₹ P. ₹ P.

DAY																				
APARTMENT																				
BOARD																				
BED TEA																				
BREAK FAST																				
LUNCH																				
DINNER																				
TEA/COFFEE																				
SNACKS																				
FOOD SUNDRIES																				
SOFT DRINKS																				
WINE/BEER																				
HARD DRINKS																				
SALES TAX/VAT																				
LUXURY TAX																				

Table : 8

For all the hotel residents of a day a visitor's tabular ledger is prepared. For every day a new ledger is prepared. On this ledger the room rent and all the vouchers for the entire guests are recorded. The visitor's tabular ledger gives the total sale of the residents of the hotel (but cash paid by residents at the points of sale is not recorded here). A copy each of this ledger is sent to the control department and accounts department. This is also called a day book.



DISADVANTAGES OF GUEST WEEKLY BILL

1. Guest weekly bill is hand made so it becomes very un-tidy at times and not presentable.
2. Some cashier's handwriting may not be legible.
3. All totals are manual so there is more possibility of making totalling mistakes.

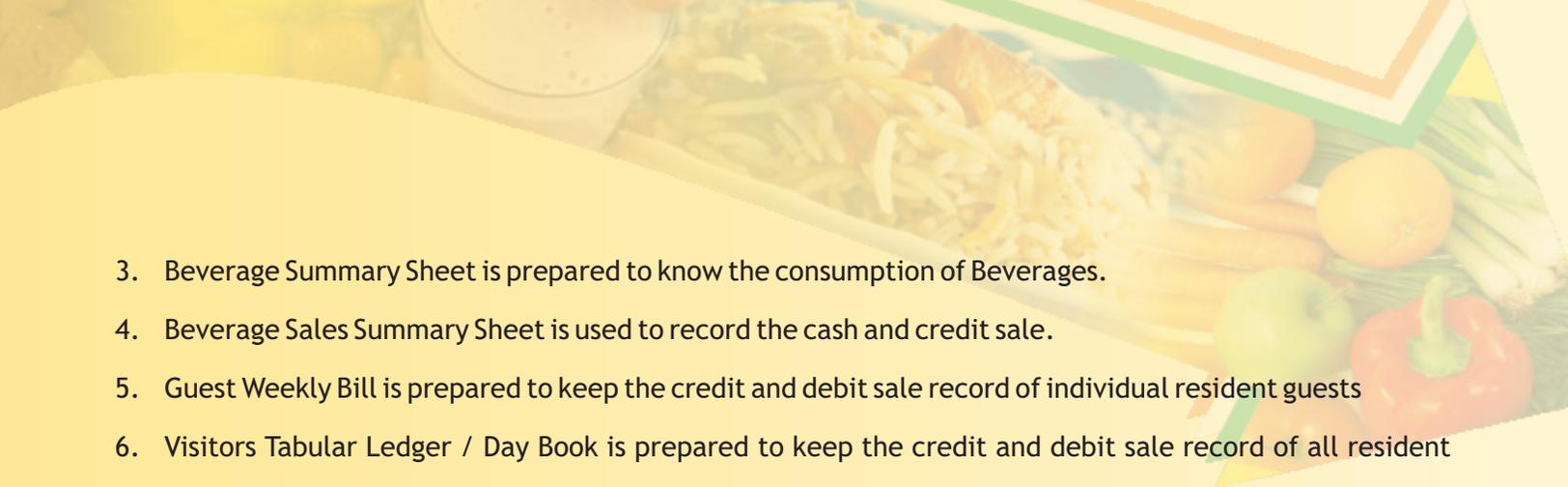
In case the hotel has computerised accounting system then the bar sales summary sheet, guest weekly bill, bar summary sheet and visitor's tabular ledger are automatically made and the control department can have their printouts on their computers. In some hotels a separate BOT is not prepared: the bar check is prepared by machine / computer. The monitor of bar (computer) shows the order and a BOT in leaf form is not given to bar man. For ordering the beverages there is no need to show the check because order is only placed through computer and the order can not be cancelled without the knowledge of bar.

The cash sale is made at various points of sale through out the day and night. A hotel may make a couple of millions of Rupees cash sale a day. A cashier may be tempted to run away with the cash. To have an affective control of cash the hotel's management usually does not appoint a cashier unless and until they are very sure about his credentials and they take minimum of two references. Usually cashiers are rotated regularly from one point of sale to another and head cashier keeps a watch on them. All the cash collected by the cashier is deposited to the front office cashier along with sales summary sheet.

The imprest / float amount given to cashier is checked quite regularly by head cashier, accountant and control department. The cashiers are not allowed to keep imprest / float money with them This is deposited at hotel or handed over to the cashier of next shift. All the check books are numbered and in case of any cuttings the checks must be counter signed by the manager. The front office cashier is required to prepare a cash book. All the cash received must be banked. Except front office cashier, who may be required to make petty cash payments on behalf of resident guests against visitor paid out, no other cashier is authorized to pay from the cash sales.

SUMMARY / RECAPITULATION:

1. To make profit, it is important to control the beverage sales.
2. Beverage Order Ticket is used to take the beverage orders

- 
3. Beverage Summary Sheet is prepared to know the consumption of Beverages.
 4. Beverage Sales Summary Sheet is used to record the cash and credit sale.
 5. Guest Weekly Bill is prepared to keep the credit and debit sale record of individual resident guests
 6. Visitors Tabular Ledger / Day Book is prepared to keep the credit and debit sale record of all resident guests.

ANSWERS THE QUESTIONS:

- Q1. What do you mean by Beverage Order Ticket (BOT)? Draw the Performa of BOT.
- Q2. Explain in brief the Beverage Sales Control with the help of diagram.
- Q3. Explain the Beverage Check with Performa.
- Q4. What are the advantages of Beverage Sales Summary Sheet? Explain with Performa.
- Q5. Draw the Performa of Visitors Tabular Ledger.



CHAPTER 5

PURCHASING

LEARNING OBJECTIVES

After completing this chapter learners would be able to:

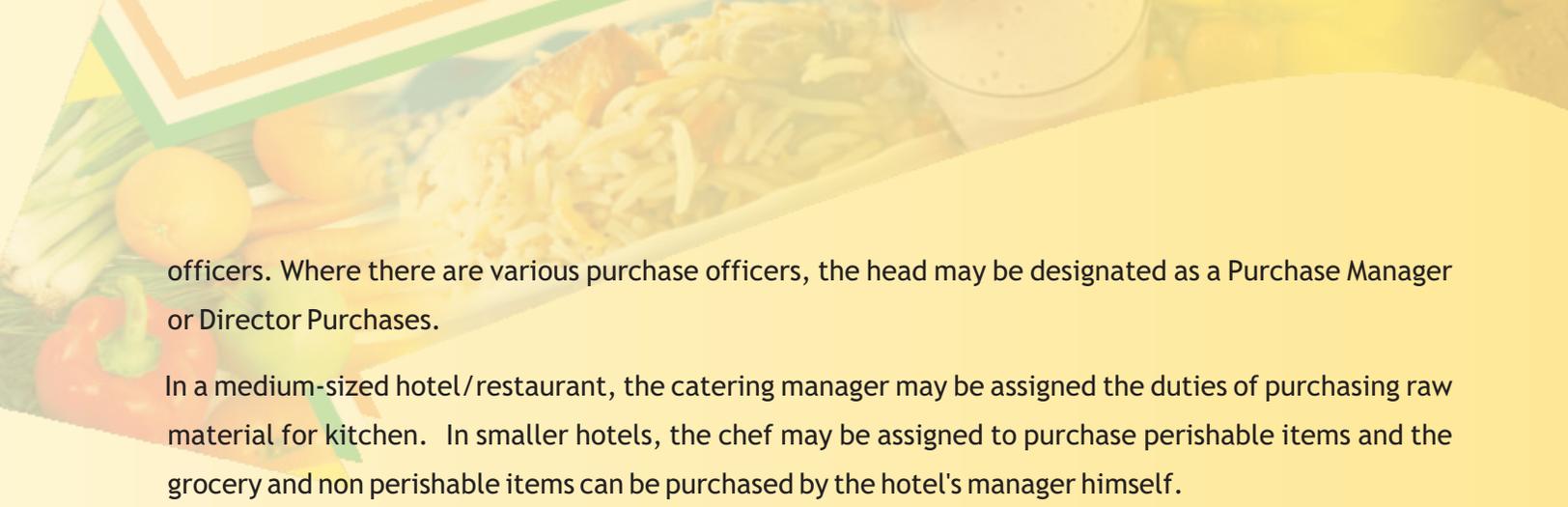
- (i) Importance of purchase officer
- (ii) Definition of Purchasing
- (iii) The qualifications of Purchase officer
- (iv) Aims of purchase officer.
- (v) The procedure for purchasing.
- (vi) Purchase requisition and purchase order specification.
- (vii) How to select supplier.
- (viii) Methods of purchasing.
- (ix) Standard Purchase Specification (SPS)

GUIDE TO BETTER LEARNING:

1. Purchase officer and his/her importance.
2. Qualification and duties of purchase officer.
3. Purchasing procedure
4. Methods of purchasing
5. Standard purchase specification

I. PURCHASE OFFICER AND ITS IMPORTANCE:

The person who heads the staff that is responsible for food purchase of food, is designated as Purchase Officer / Manager. The designation of the head of purchase department may differ depending upon the type and size of establishment. In a large hotel or a chain of hotels there might be specialized purchase officer for purchasing meat, poultry, fish, fruits and vegetables, groceries, alcoholic beverages, soft drinks. In fact for purchasing beer, wine, spirit, liquor, etc. a large hotel may hire different specialized



officers. Where there are various purchase officers, the head may be designated as a Purchase Manager or Director Purchases.

In a medium-sized hotel/restaurant, the catering manager may be assigned the duties of purchasing raw material for kitchen. In smaller hotels, the chef may be assigned to purchase perishable items and the grocery and non perishable items can be purchased by the hotel's manager himself.

a) QUALIFICATIONS:

Keeping in view the importance of purchase for controlling both the cost and quality of production, it is essential for the purchase officer to be properly qualified, trained and experienced. He should be well informed about the mercantile law, economics, accounting, marketing, inspecting the quality. He may also take the help of Chef wherever possible or desired. The integrity of the purchase officer is quite important. He should have a good vision, analytical judgment of values and an ability to co-operate and communicate clearly with one and all.

b) DEFINITION:

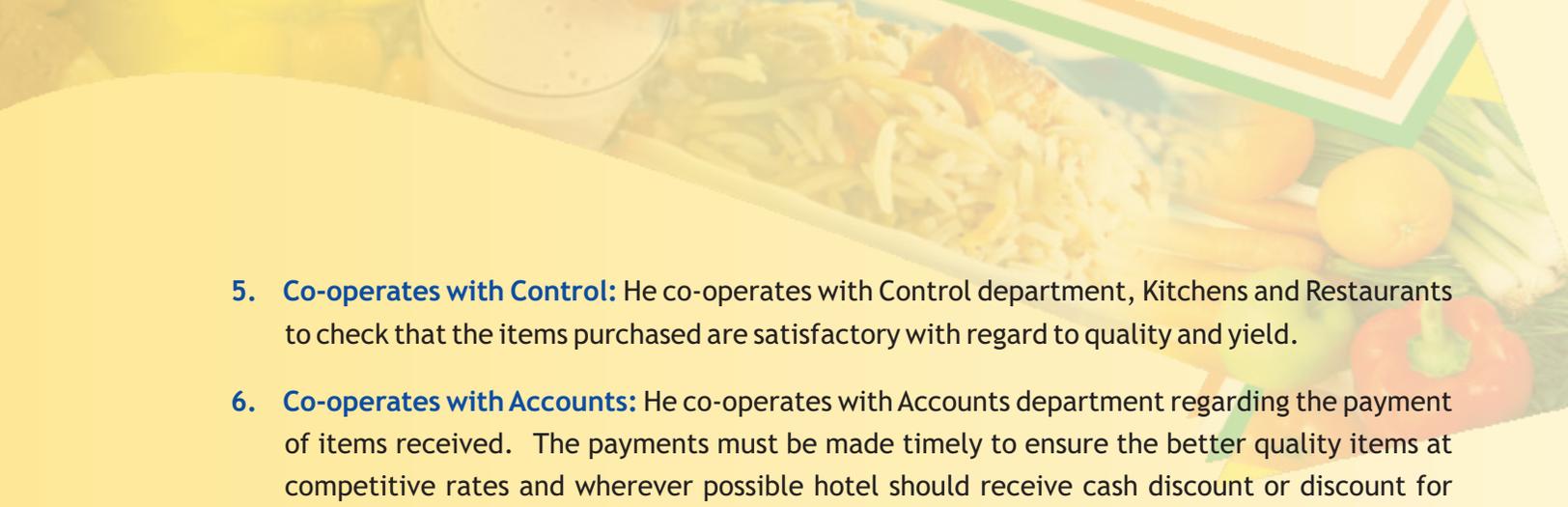
Both cash and credit purchase of goods made for the operation of business (raw material in case of restaurant used for preparing the dishes) is termed as purchases.

c) AIMS AND OBJECTIVES OF PURCHASING:

The aims of Purchase Officer will differ from establishment to establishment.

Broadly the following should be his aims / objectives:

- 1. Regular Supply:** It must be ensured by the Purchase Officer that the food and beverages of the right quality and quantity must be supplied to the hotel regularly. The orders should not be cancelled due to non availability of basic raw material.
- 2. Co-ordination:** Purchase Officer should co-ordinate with receiving department, stores, cellars so that the goods ordered are received in right quantity and quality and are stored properly.
- 3. Economical and Better Quality:** The Purchase Officer must always try to find out the new suppliers who can supply better quality and comparatively cheaper items. Every penny saved in purchasing increases profit of the hotel.
- 4. Co-operates with Kitchens:** He co-operates with Kitchens to standardize commodities, so as to keep stock levels as low as is efficiently possible.

- 
5. **Co-operates with Control:** He co-operates with Control department, Kitchens and Restaurants to check that the items purchased are satisfactory with regard to quality and yield.
 6. **Co-operates with Accounts:** He co-operates with Accounts department regarding the payment of items received. The payments must be made timely to ensure the better quality items at competitive rates and wherever possible hotel should receive cash discount or discount for early payments.
 7. **Report to Management:** He briefs the management regarding his department's activities and discusses regarding the policy formation for his department.
 8. **Purchasing Research:** The Purchase Officer as far as possible delegate the routine purchasing to his subordinates and he must make research regarding the purchase price of various items, prepare budgets and compare the purchase cost (cost of production) with selling price and ensure that it is as close to the budgeted cost as possible. The quality of item purchased should give the maximum yield to the hotel and there should be negligible loss in storing, cooking and serving. In India the food cost is the major single cost of the food sold in majority of the catering establishments.

II.

THE PURCHASING PROCEDURE:

PURCHASING PROCEDURE HAS THE FOLLOWING STAGES:

1. Kitchens, Restaurants, Bars, etc send their requisitions to the store and stores intimates purchase department regarding the requirements. The procedure and specimen for making requisition slip can be seen in the chapter 'Storing and Issuing Control'.
2. Purchase officer makes the final list of items to be purchased and decides the department / supplier from whom to purchase and the quantity and quality required.
3. Either he places order on telephone and sends the purchase order later or the order is placed against purchase order. A copy of the purchase order is marked to stores department so that stores can receive the items as per the purchase specifications.
4. The goods are received along with the supply order by the receiving department. The receiving department checks the quality, quantity, weight etc. and check the purchase order and supply order. After ensuring the right quality and quantity the purchase officer (Who?) receives the goods by signing the supply order and returns the copy of supply order to the supplier. A copy of the supply order is also sent to purchase department and accounts department. The supplier sends the bill along with a supply order and purchase order to accounts department for settlement of the bill.

5. The goods are transferred to Stores. The stores receive the goods; enter in the stores and supplies to the respective departments.

PURCHASE REQUISITION

Number Date

Cost Center.....

Required by.....Checked by..... Approved by

**ABC HOTEL
PURCHASE REQUISITION**

Please purchase fordepartment.

Required on

Item No.	Code No.	Description	Quantity Required	Remarks

Required by Checked by Approved by

Issuing Department				Purchase Department		
Item No.	Balance available	Daily / Monthly Consumption	Quantity Required	Purchase Order No.	Supplier	Delivery Date
Store Keeper.....				Purchase Department.....		

Specimen of Purchase Order
Purchase Order

Date: 10.02.2007

ABC HOTEL

No. 56765

Ref: No ABC/07/45456 New Delhi Phone: 34543456

To: XYZ

The Connaught Place

New Delhi.

Please enter our reference number on supply order and bill

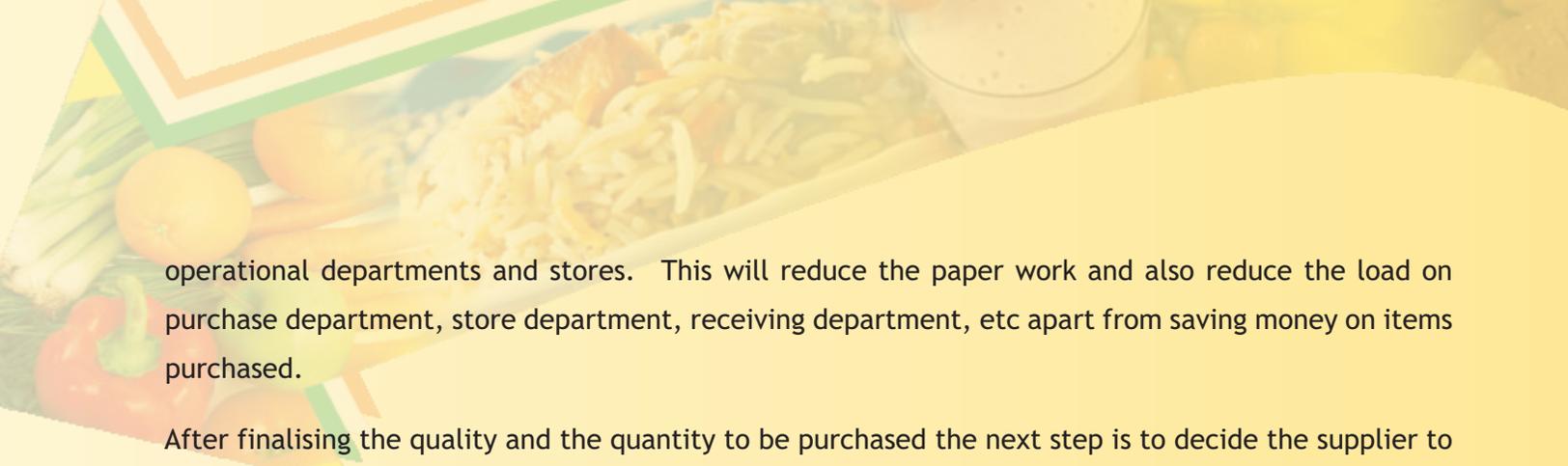
Quantity	Particulars	Rate		Total	
		₹	P	₹	P
100Kg	Almonds Type '6'	190	-	19,000	-
250Kg	Pistachoo Type '8'	180	-	25,000	-
	Total			44,000	-

The acceptance of this order is an acceptance of all conditions herein.

Signature
Purchase Officer
For ABC Hotel

III. Selection or Supplier:

After receiving the requisition form from Kitchens, Restaurants, Bars, etc. the Purchase Officer decides the quantity to be purchased after referring to the stock with the help of Bin Card. If the management has a policy to procure non perishable items for the whole month in order to get discount for volume purchasing then the purchase department forecasts the whole month's requirement after consulting the



operational departments and stores. This will reduce the paper work and also reduce the load on purchase department, store department, receiving department, etc apart from saving money on items purchased.

After finalising the quality and the quantity to be purchased the next step is to decide the supplier to whom the contract is to be given. Ideally a supplier should be selected from those with whom business has been done before, as this will ensure the receipt of right quality of goods ordered. Before placing order with the new supplier, it is important to check the credentials of supplier and his ability to supply regularly at competitive price the right quality of products.

The following information should be taken from a New Supplier:

1. Full details of the firm:

The complete detail of the firm, head office, financial position, banker's name, previous year's balance sheets, details of other customers, etc. should be collected.

2. Price List:

The recent price list along with the terms for discount should be collected. This should be compared with other prospective suppliers.

3. Payments:

The terms of payments, modes of payment, etc. should be checked and compared with other prospective suppliers. This should also include the terms regarding cash payment and the credit terms and period offered by the supplier.

4. Visit to the Supplier:

A visit to new suppliers is also necessary, as the claims of sales men as to the size of supplier, its storage facilities and transport should also be checked, as well as the attitude of the supplier to new customers.

Number of Suppliers:

Hotel must have a list of various suppliers for each type of product purchased. The suppliers list should be rated depending upon the their performance. The old suppliers whose goods are rejected or returned due to poor quality or packaging should be black listed. Orders should not be placed with suppliers who delay in the supply. The suppliers should be intimated about the reasons for not placing orders with them as this will ensure the timely supply of goods and that too in good quality.

IV. Methods of Purchasing:

The true cost of an item is different from the printed price of the same item. The true costs incurred will be the invoice price less discounts. Carriage inwards, packaging, insurance, forwarding cost, etc is to be added to this price. In case of purchase of heavy equipments, it would include the installation cost is to be added.

The following are the methods of purchasing:

1. Contract Purchasing
2. Purchasing through Quotations
3. Cash Purchases
4. Purchasing through Tenders
5. Centralised Purchase
6. Periodical Purchase

1. Contract Purchasing:

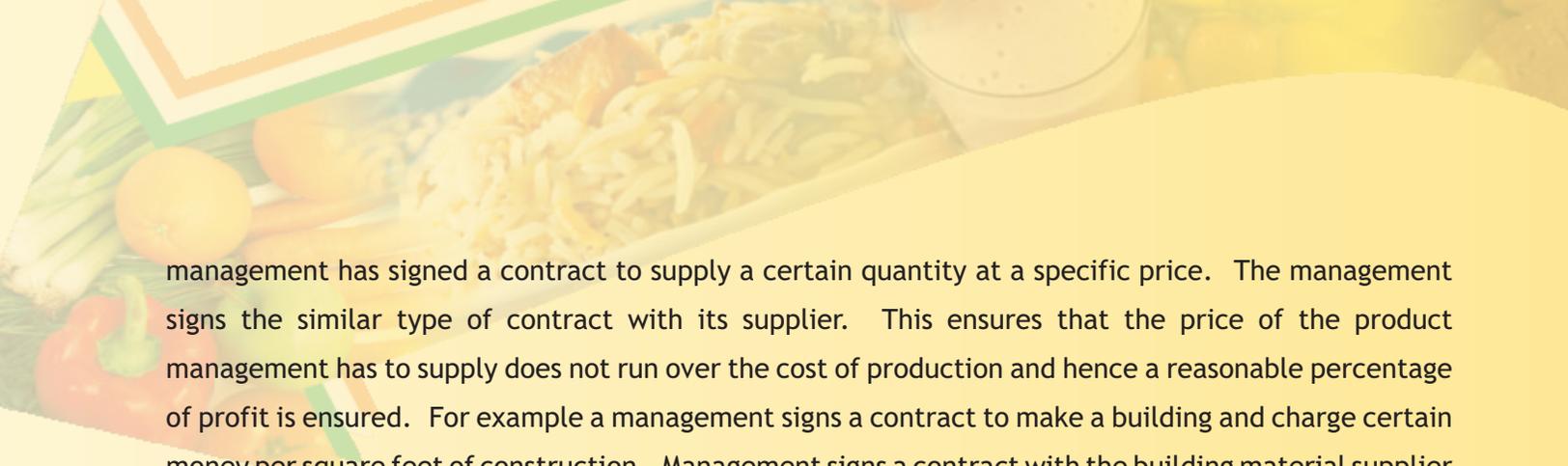
The 'contract' means when the buyer and seller signed a contract to supply the certain quantity of item or to supply approximate quantity of item for a certain period. The Contract Purchasing can be of two types:

a) Specific Period Contract:

The contract which covers a specific period is called Specific Period Contract. This can be for a short term, medium term or a long term contract. The short term contract can be for one month to three months, the medium term contract can be for three to six months and long term contract can be for one year. The price of the item will remain same for the contract period irrespective of market price. Usually vegetables, fruits, milk, cream, meat, chicken, fish, etc. are purchased on contract basis. This helps management in fixing the menu price and maintain a certain food cost. The fluctuation of market price does not affect the purchase cost as the price of the items is fixed at the beginning of the period. This also helps purchase officer in saving unnecessary time and labour by having weekly negotiations and additional paper work.

b) Specific Quantity Contract:

The contract is signed to supply a certain quantity of item in a specific period. This is very useful when

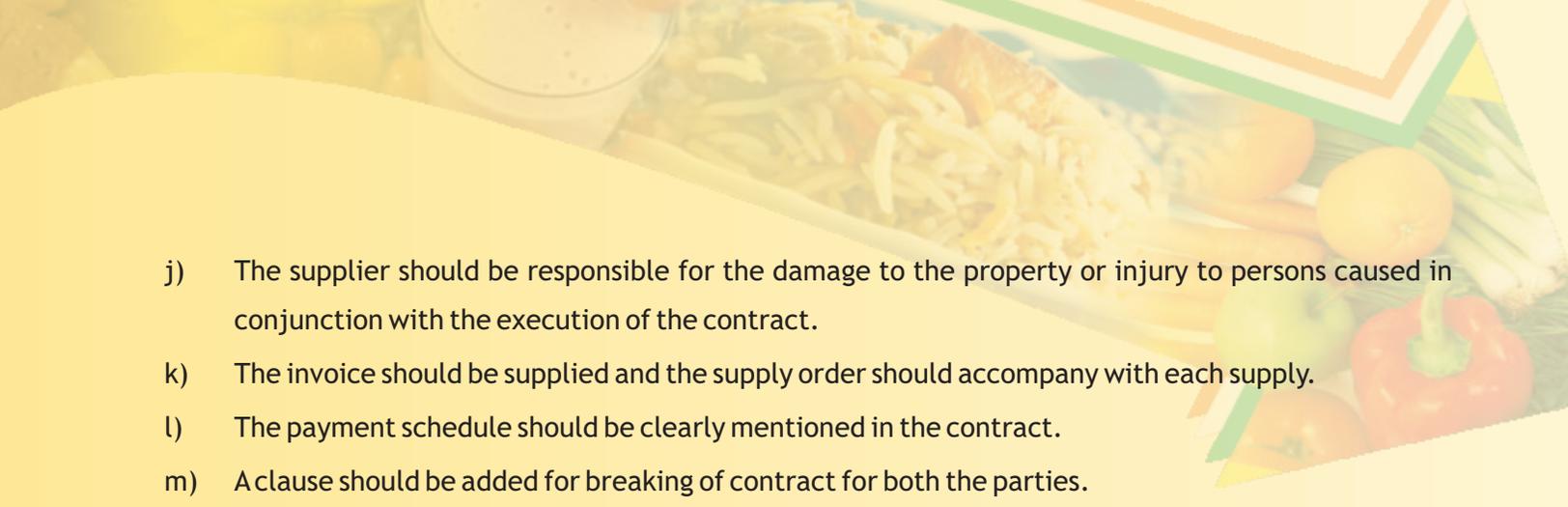


management has signed a contract to supply a certain quantity at a specific price. The management signs the similar type of contract with its supplier. This ensures that the price of the product management has to supply does not run over the cost of production and hence a reasonable percentage of profit is ensured. For example a management signs a contract to make a building and charge certain money per square feet of construction. Management signs a contract with the building material supplier to supply bags of cement, steel, and other material at a specific price and this ensures that the cost of building does not go beyond the contract price. In case of purchase of certain items like frozen sea food, vegetables, fruits, etc. the contract is signed to supply a certain quantity of item, but there is no needs to buy the contracted quantity at one go, this can however be purchased on weekly basis. This ensures the safeguarding of continuity of supply and that a known and stable price has been agreed upon. The hotel would not be required to take delivery of the total contracted quantity at one time but, depending on the need, would take delivery every week.

A contract is a legal document and should be drawn up with care. The help of professionals should be taken, if so desired.

A contract should include the following clauses:

- a) The Period of the contract.
- b) The price of the items to be purchased for the contracted period.
- c) The estimated quantity to be purchased. A clause should be added for change in the quantity to be purchased. This will avoid legal hassles in case the quantity desired slightly varies with the contracted quantity.
- d) The specification of the item contracted should be clear and measurable.
- e) In case of inferior quality the supplier must replace at his own cost.
- f) In case of default in supplying the required quantity and quality, the hotel must be empowered to purchase from the open market and should be compensated by the supplier for all costs incurred.
- g) In case of dispute, the dispute should be settled through local court or through independent body.
- h) The bribing, in any form, to any of the employee should not be allowed and in case it comes to light then the contract can be cancelled and any security paid will be forfeited.
- i) The place of delivery, mode of delivery, time taken for supplying should be clearly mentioned in the contract.

- 
- j) The supplier should be responsible for the damage to the property or injury to persons caused in conjunction with the execution of the contract.
 - k) The invoice should be supplied and the supply order should accompany with each supply.
 - l) The payment schedule should be clearly mentioned in the contract.
 - m) A clause should be added for breaking of contract for both the parties.
 - n) The security to be deposited along with the contract and the security will be refund after the contract is over.

These clauses are often printed on the back, of the contract period and while signing the contract it is written on the face of the contract; that we have read, the clauses of the contract and agree upon them.

V. Purchasing through Quotations:

This form of purchasing is particularly used for perishable items like fruits, vegetables, milk, eggs, bakery products, etc. The supplier at times does not want to sign a contract to supply a certain item at a fixed price for a certain period then this method of purchasing becomes popular. The quotations from different suppliers for certain items are collected and the quotations are compared and the competitive supplier is placed order either for all the items for which he has offered quotation or a part of the items are ordered to one supplier and remaining items can be ordered to the other supplier.

VI. The following are the different type of quotations:

a) Daily Quotation:

The Chef / the Store keeper takes the inventory and decides the quantity of perishable items required for the day and intimates its requirement to the purchase department, either every day in the morning or a day before, in the evening. While preparing the requisition for the day, the house count, day's function list along with menu and the number of expected guests is considered. The purchase officer either checks on the phone the quotations of each item required or he goes to the market and collects the quotations personally. After comparing the rates he places the order. Usually management pre fixes the suppliers list and the purchase officer is required to approach only the listed suppliers for quotations. It is the management policy, whether to purchase all the order from one supplier after bargaining the price or to place the order with different suppliers who quote the minimum price of each item. Some times management wants to place order with various suppliers so that in case of scarcity the supplies are made available to hotel.



b) **Weekly or Fortnightly Quotations:** In this case the weekly or fortnightly requirement is made and the quotations are collected for the entire week or fortnight and the supplier agrees to supply the perishable items on daily basis at the agreed price for the next week or fortnight. This saves a lot of time and paper work for the purchase department and hotel. Usually hotel sends blank quotation sheets with the list of items and quantity desired to various suppliers and after getting the quotation back from them the order is placed with the suppliers.

2. Cash Purchases:

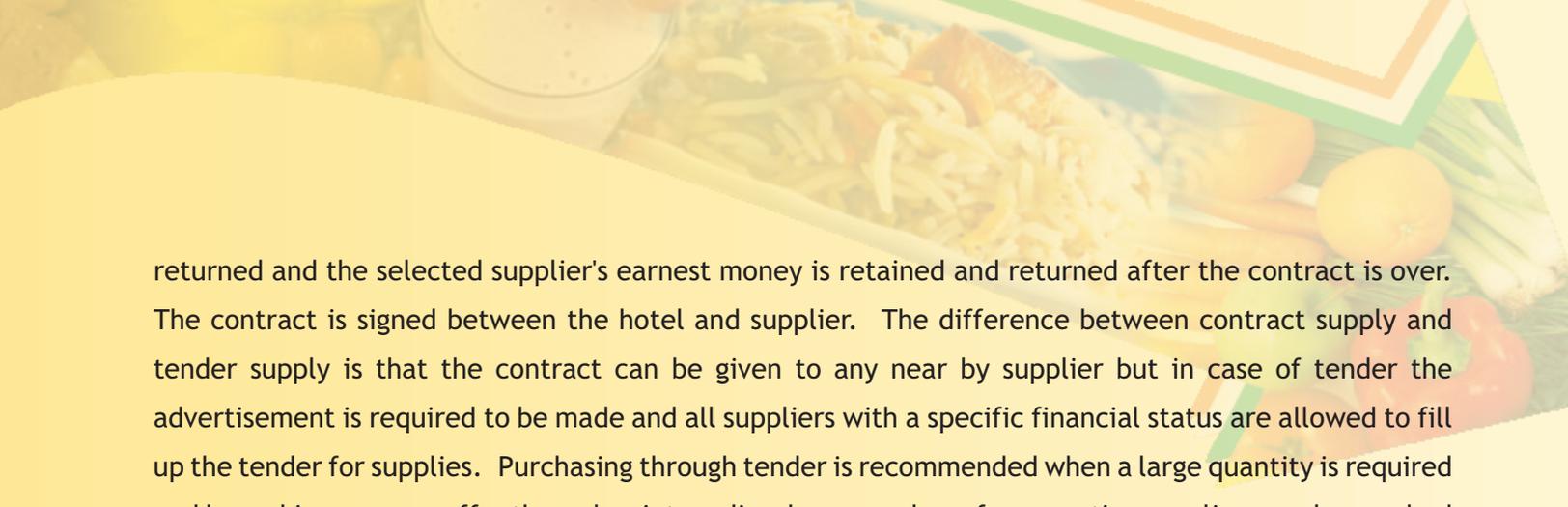
The departmental stores selling all kind of groceries, fruits, vegetables, frozen food have mushroomed in this competitive world and the prices are very competitive and change on daily basis due to competition. Hotels at time prefer to send its representative with the list and purchase from various departmental stores, pay cash and carry the items. This ensures the best quality fresh perishables, and at competitive price. Usually management fixes the list of departmental stores from where to purchase grocery and other perishable items. These departmental stores are large enough to ensure regular supply of all commodities at competitive price. Even credit facilities can be extended by the departmental stores.

Advantages of Cash Purchases:

- a) It is very useful for smaller establishments and they are able to procure goods at competitive prices, even though the total value of goods purchased may be of very small quantity.
- b) The variety of items in different packaging is displayed on counters / racks and can be inspected and compared by the buyers.
- c) A small quantity of a new item can be purchased and if approved then the large quantity can be purchased
- d) Since these departmental stores are very close by so, the hotel / restaurant can purchase as frequently as desired. This reduces the inventory cost and also a small store space can store all the items.

3. Purchasing through Tenders:

The open tenders are called to supply certain quantity of items with specifications. The prospective suppliers apply through sealed tenders on the tender forms supplied by the hotel along with earnest money. Tenders are opened at a specific time and date in the presence of those suppliers who are present. Rates are compared and the order is placed. The unsuccessful supplier's earnest money is



returned and the selected supplier's earnest money is retained and returned after the contract is over. The contract is signed between the hotel and supplier. The difference between contract supply and tender supply is that the contract can be given to any near by supplier but in case of tender the advertisement is required to be made and all suppliers with a specific financial status are allowed to fill up the tender for supplies. Purchasing through tender is recommended when a large quantity is required and by making an open offer through print media a large number of prospective suppliers can be reached and more competitive prices can be obtained.

4. Centralised Purchase:

A chain of hotels may prefer to have a centralised purchasing system for non perishable items. All requisitions / requirements for the entire year or for a specific period are sending to head office. The Purchase department places order for all the hotels and dispatched the items to various hotels. The advantage of centralized purchasing is that it reduces the purchase department's over heads and due to large quantity of ordered more competitive rates can be settled for all commodities. The centre stores keep some ready stock of various items where ever possible. Some times the suppliers are directed to supply the requisite quantity to the respective hotels and the hassle of supplying is also eliminated.

5. Periodical Purchase:

Certain items are not purchased on regular basis and are procured periodically. The procedure adopted for their purchase is usually quotations, cash and carry or contract purchasing. Usually either the non perishable items are purchased through periodical purchase system or those items which may not be required on regular basis.

VII. STANDARD PURCHASE SPECIFICATIONS (SPS):

A concise description of the quality, size, weight, quantity, etc of a particular item is described in a Standard Purchase Specification. The specification is determined by the management after a lot of consideration and should be adhered as far as possible. For making the purchase specifications, the menu, pricing, portion size, price of the menu / dish, desired food cost, etc are considered. The bin card contains the specification of the item mentioned on each bin and is strictly followed by stores, purchase department, receiving department and the chef, bar, restaurant, etc. Copies of the purchase specifications are also readily available with all the above mentioned departments.

VIII. Reasons / Objectives for preparing Standard Specifications:

- a) **Buying Standard:** For each item to be purchased a buying standard is established by the management.
- b) **Written Order:** The supplier is informed in writing precisely what the management requires to purchase.
- c) **Price:** The price of the item is settled along with the purchase specification of the item.
- d) **Receiving Department:** The receiving department is supplied with the copy of purchase specification so that he knows what quality to be accepted.
- e) **Quality of Finished Product:** The right quality of item will ensure the right quality of finished product (dish). This will ensure the standard food and standard portion size.
- f) **Chef's Performance:** If chef is supplied the standard raw material then, for any complaint in the kitchen, he cannot be blame the purchase department for providing sub standard raw material

IX. The Preparation of Standard Purchase Specifications:

For each item a purchase specification is prepared and the quantity to be purchased is specified. While specifying the quantity; the maximum stock, minimum stock and re ordering point for each item is specified. All suppliers may not agree to supply a small quantity so while fixing the quantity this point should be kept in mind. But at the same time storage space, availability of cash for stock should also be considered. It is never recommended to purchase an item, which is readily available, for a very long period. However incase the price of the item is expected to rise or if that particular item will not be available due to any reason, it may be purchased in bulk.

Before finalising the quality of the item, it is better to consult the Chef, Restaurant Manager, Purchase Department, Accounts Department, Control Department and then final the approval of the General Manager should be obtained. The Yield is a very important factor while fixing the quality, size, weight, etc. of items to be purchased.

It is also recommended to involve the supplier while fixing the purchase specification so that he understands the need for a specific quality, size, weight, etc. and he does not deviate from the specifications. It is essential that the specification is drawn up as clearly as possible so that no misunderstanding may arise in the use of terminology, as this may lead to unnecessary litigation and the preparation of final products.

Illustration:

Two following quotations are received from suppliers.

Supplier 'A' ₹ 10 per unit

Supplier 'B' ₹ 9.80 per unit plus ₹ 200 fixed charges irrespective of units ordered.

Calculate the order quantity for which the purchase price per unit will be the same. Considering all factors regarding production requirements and availability of finance, the purchase officer wants to place an order for 500 units, what supplier should be selected.

Solution:

Disregarding fixed charges, the position is such:

Supplier 'A' ₹ 10 per unit

Supplier 'B' ₹ 9.80 per unit

Saving with supplier 'B' ₹ 0.20 per unit

But Supplier 'B' will charge ₹ 200 as fixed charges

To Save Rs. 200 charged as fixed charges by supplier 'B', the minimum order should be of 200 divided by .20 (20 paise is the difference in rate of Suppliers 'A' and 'B') = 1000 units. For orders exceeding 1000 units supplier 'B' will be selected and for orders less than 1000 units supplier 'A' will be selected.

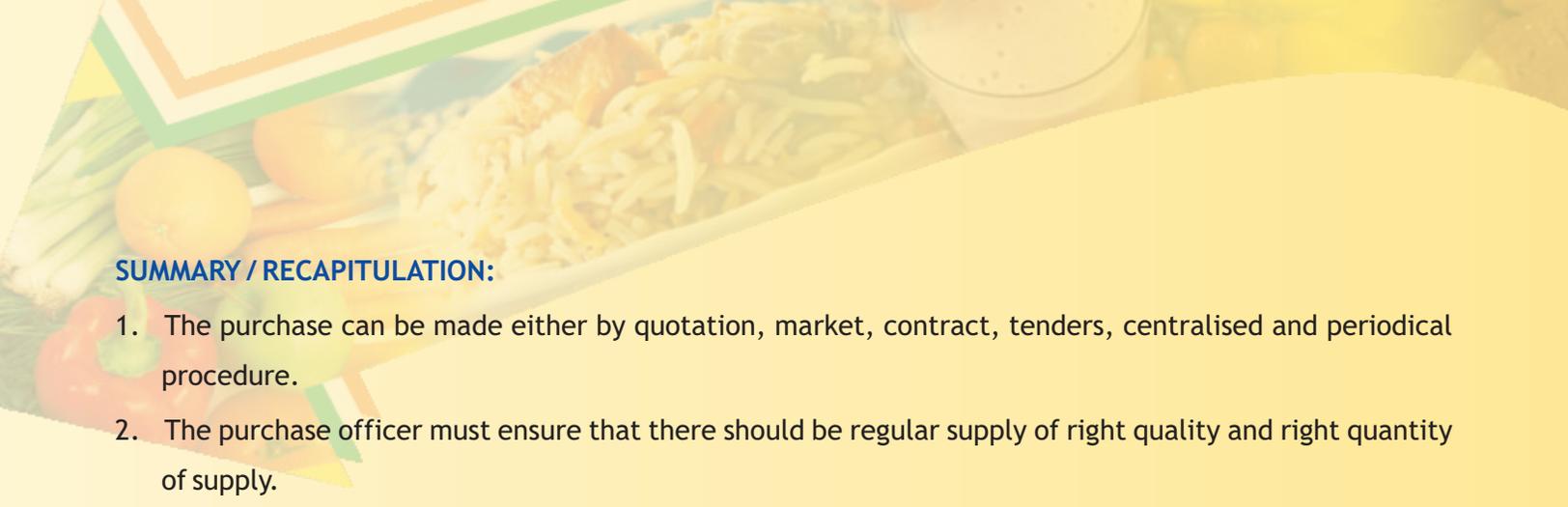
The Purchase Officer wants to place the order for 500 units and this quantity of order supplier 'A' should be selected as he will charge:

$$500 \times 10 = \text{Rs. } 5,000$$

Supplier 'B' will charge:

$$500 \times 9.80 + 200$$

$$= 4,900 + 200 = ₹ 5,100$$



SUMMARY / RECAPITULATION:

1. The purchase can be made either by quotation, market, contract, tenders, centralised and periodical procedure.
2. The purchase officer must ensure that there should be regular supply of right quality and right quantity of supply.
3. The purchase officer must follow the purchase procedure and must prepare purchase requisition, purchase order, etc.

LONG ANSWER QUESTIONS:

- Q1. Give the job description of a Purchase Manager / Officer and list the duties and responsibilities.
- Q2 Explain the process of selecting suppliers and supplier rating system.
- Q3 What is standard purchase specification? Draw a SPS for fillet of beef.
- Q4. Define purchasing and explain the objectives of purchasing department.
- Q5. Draw the formats for
- (a) Purchase Order
 - (b) Purchase Requisition
 - (c) Standard Purchase Specification
- Q6. (a) What are the aims of purchasing?
- (b) Write the qualities of the purchasing staff.
 - (c) How to select a supplier?
- Q7. What are the different methods of purchasing and draw a format of Purchase Order form ?
- Q8. What is means by Standard Purchase Specification? Define the objectives of standard purchase specification and make a standard purchase specification for the purchase of chicken.
- Q9. (a) Define purchasing and discuss the importance of purchase function.
- (b) Draw the cycle of control and explain its stages briefly.

LEARNING OBJECTIVES

After completing this chapter learners would be able to:

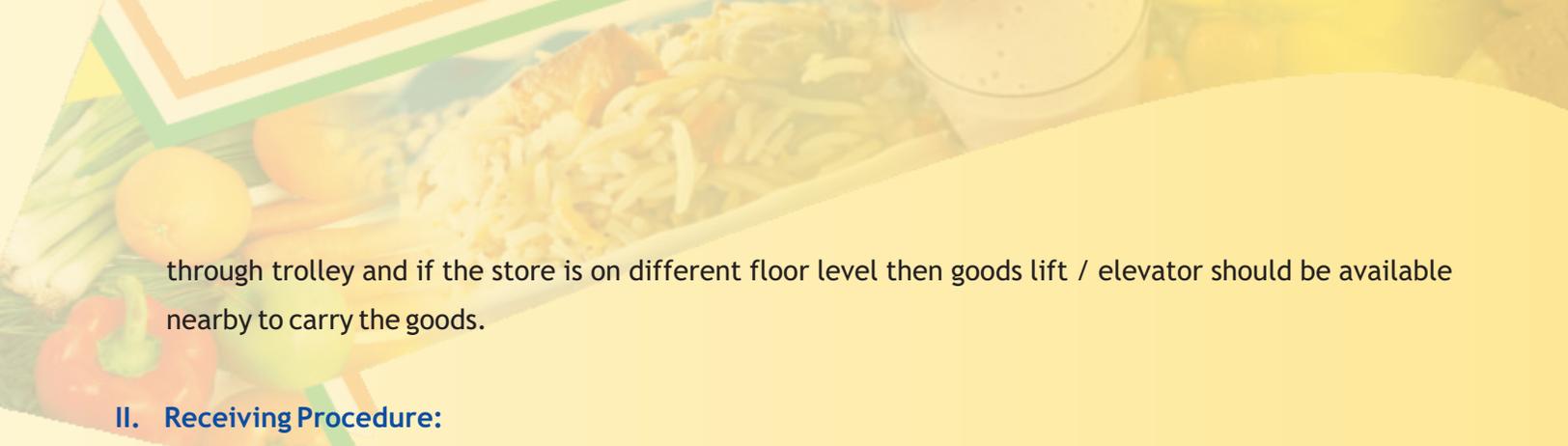
- (i) The procedure of Receiving
- (ii) Know the rules of receiving department
- (iii) Understand blind receiving
- (iv) Forms used in receiving
- (v) Equipments used in receiving the goods
- (vi) How to receive expensive items

I. INTRODUCTION:

The primary task of receiving department is to ensure that the hotel is receiving the correct quality and quantity of articles, and the articles supplied as the purchase order specifications not only in quantity but also in quality and the price charged is also as per the contracted rate.

The job of the receiving department is technical and it is supposed to have a complete knowledge about each item's standard specifications. The receiving officer must ensure that the tinned food supplied is fresh; the packaging is of right standard and is not damaged during transportation. In case of fresh fruits, vegetables, frozen food, etc. he should ensure that the items supplied are as per the standard specifications mentioned in the purchase order. If desired he can take the help of the Chef in order to check the quality of the raw material. He should weight and count the items before receiving them. The Receiving officer should be suitably awarded through remuneration as otherwise, he will be tempted to receive variety of offers to receive goods of an inferior quality or short in quantity.

The receiving department should be located in such a position that the goods may be quickly off loaded, checked / inspected, received and then easily distributed to the various stores, cellars, kitchens and other departments. The area provided for receiving department should be large enough to handle the large quantity of goods and it should be easily cleanable and washable. It should be also well lit and As far as possible it must have the natural light coming during day time. This department should have weighting scales to weight all kind of goods. The ramp should be made so that the goods can be carried



through trolley and if the store is on different floor level then goods lift / elevator should be available nearby to carry the goods.

II. Receiving Procedure:

The receiving department must have purchase order's copies along with the purchase specifications along with the delivery date and time and the supplier's name and details.

The following procedure is followed by the goods receiver after the goods are received at receiving department.

a) Delivery Note:

The receiver checks the delivery note (supply note / order which comes along with the goods) and the copy of the purchase order along with purchase specification to ensure that the goods supplied are in right quantity and of right quality. If there is any difference in-between the delivery note the purchase order or purchase specification, then this must be immediately brought to the notice of supplier and purchaser and recorded on the supply order. If the supplied goods are un acceptable then they must be returned immediately with remarks that the goods are not as per the order. The goods may not in case of delayed delivery be accepted. For example, 1000 kilogram of chicken is required for a party to commence at 6 p.m. and the supply of chicken comes at 4 p.m.; this supply should not be received as Kitchens can not prepare the food in two hours. A local purchasing of chicken must have been made in case of any variation in supply of goods; the purchase officer should be immediately informed in case of the any variation in supply of goods, so that appropriate action can be initiated against the suppliers.

b) Quantity:

The goods, on being received are then checked for quantity. The receiving department must know the units in which food is purchased. Care must be taken to prevent being cheated of even a kilogram of an item by an unscrupulous supplier or a dishonest delivery man. Any shortage in supply should be intimated to the supplier, purchase officer and an appropriate entry should be made so that while making the payment deductions can be made.

c) Quality:

After checking the delivery note and the quantity supplied, the next step for the receiving department is to check the quality of goods supplied. The quality supplied should be as per the



purchase specification. In case of branded products, the goods supplied should be of the same brand. For example, if the purchase order is for 'Kisan Tomato Ketchup' of one kilogram size then the supply should be of the same brand and size. Any variation should be brought to the notice of supplier, purchase officer and must be recorded in the delivery note and the receiver's report. In case the receiver is not qualified, trained and experienced to receive the various food and beverage products then he can take the help of appropriate departments. This may cause an unnecessary delay and will also hamper the other departments work. It is important for the goods receiver to be technically qualified to be able to receive most of the goods on his own. And only in case of very special items to be received; he should call for the help of experts. An unnecessary rejection of goods on account of minor variation in quality will discourage suppliers to accept orders and on the contrary if he starts accepting sub standard goods this will affect on the yield, quality of food and also on the costing.

It is essential for receiving department to know the following rules:

1. A delivery note must accompany the deliveries.
2. All goods received will be checked in detail for quantity and quality
3. The receiving department will not show any sign of hurry while inspecting the goods.
4. For all shortages and rejected supplies a credit note will be prepared and sent to the purchase officer, supplier, accounts department, control department and a copy is retained by the receiving department after obtaining the signature of the delivery man.
5. All goods received are recorded in Goods Received Book.
6. All goods received are either send to the stores or to kitchens or to the departments which placed the order depending upon the management's policy. The receiving department is asked to sign the receiving of goods.

CREDIT NOTE

ABC HOTEL

The Connaught Place, New Delhi

No.

Date

To.....
.....

Please forward a Credit Note for the following goods returned

- (i) Due to poor quality
- (ii) Not ordered
- (iii) Or not delivered

Item	Delivery Note No Or Supply Order No,	Amount ₹	Remarks
Receiving Officer's Signature		Delivery Man's Signature	

BLIND RECEIVING:

The copy of purchase order supplied to the receiving department does not show the quantity ordered as the invoices and delivery notes are sent to the accounts office directly. The receiving department has no other option than to count each and every item physically and receive the exact quantity / weight counted by him. The Blind receiving gives the better receiving results and the efficiency of the receiving department can be easily evaluated.

Procedures and Forms Used in Receiving:

The following forms are used during the receiving process:

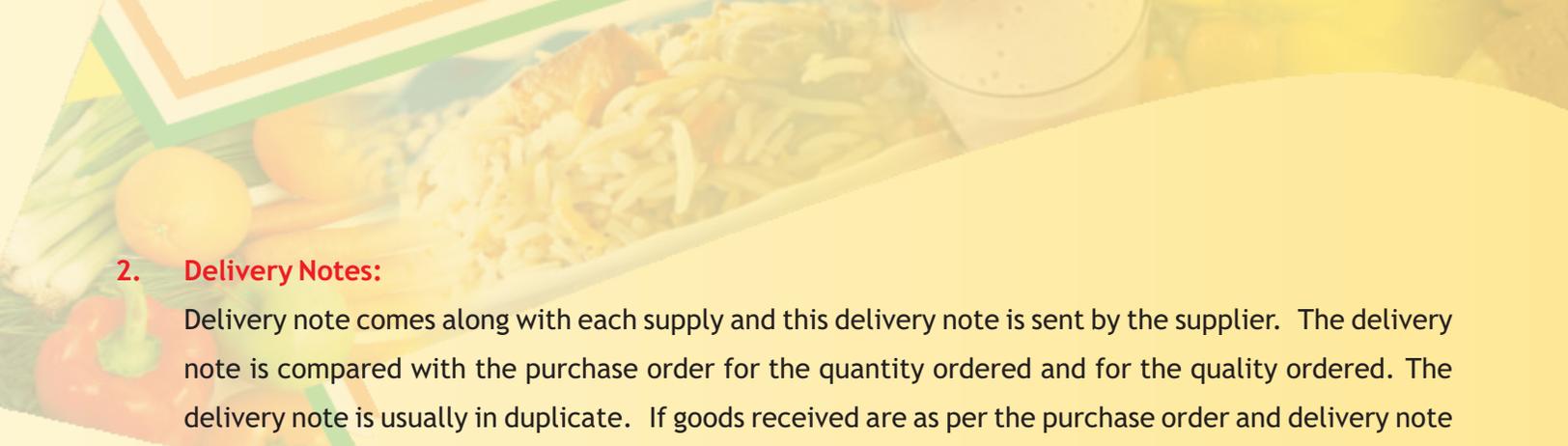
1. Purchase Orders
2. Delivery Notes
3. Goods Received Book

1. Purchase Orders:

Purchase officer places the purchase order with the suppliers giving details of the quantity and quality of items required to be delivered. The purchase orders are made out with five copies, each copy being colour coded to aid the correct distribution of them. The colour coding may differ from organization to organization.

- | | |
|--------------------------|--|
| a) White Copy (original) | sent to Supplier |
| b) Yellow copy | sent to accounts receiving department |
| d) Pink copy | retained by the purchasing department |
| e) Off white copy | retained in the purchasing office and kept in date order wise and retained till the goods are received and then filed under order numbers. |

In some cases perishable food items or certain other orders are placed over phone. It is not possible to send a purchase order to supplier by the purchase department in advance. The telephonic confirmation order should be sent off to the supplier as soon as possible. This order is quite similar to the purchase order but is also marked as 'Telephone Confirmation Order'. The receiving clerk compares the purchase order with delivery notes / supply order received along with the goods.



2. Delivery Notes:

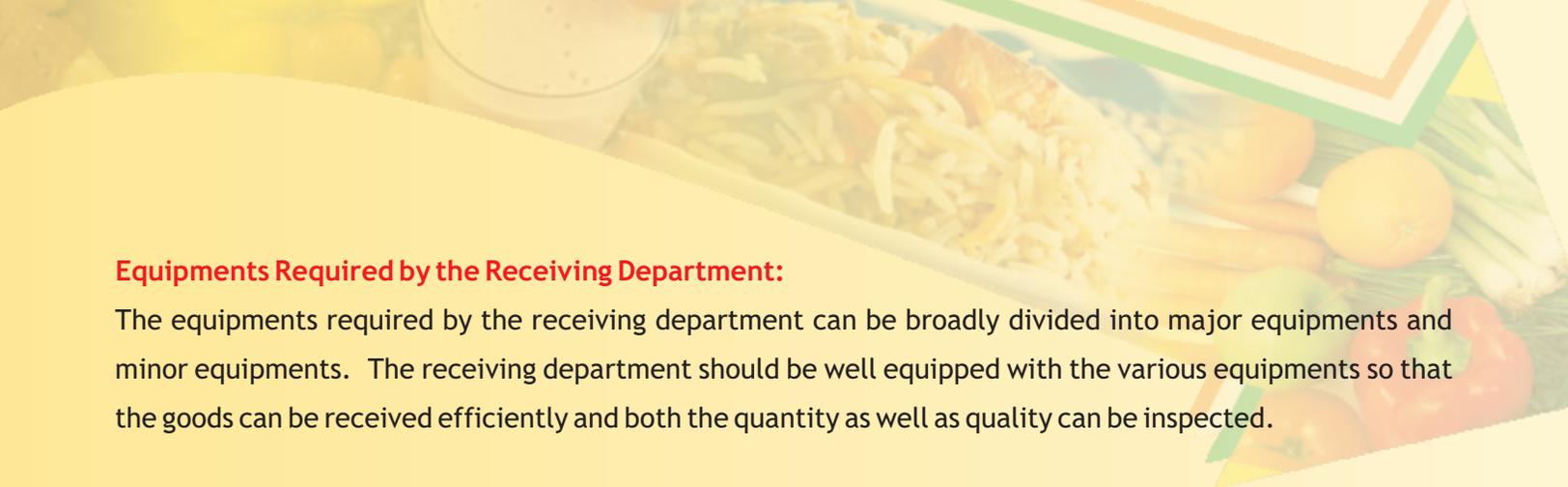
Delivery note comes along with each supply and this delivery note is sent by the supplier. The delivery note is compared with the purchase order for the quantity ordered and for the quality ordered. The delivery note is usually in duplicate. If goods received are as per the purchase order and delivery note then the original copy of the delivery note is retained by the receiving department and the duplicate copy is signed by the receiving department's official and sent back to supplier through delivery man. In case the goods supplied are not as per specifications or the goods supplied are less than ordered, then a credit note is sent and is signed by the delivery man. A copy of the credit note is sent to the supplier through the delivery man; a copy is sent to the purchase department, accounts department, control department and a copy is also retained by the receiving department.

3. Goods Received Book:

All goods received are recorded in the Goods Received Book. This remains as a permanent record of all the goods received by the receiving department. For each day a separate goods received book's page is allotted. This is usually maintained by small hotels. Larger hotels prefer to maintain analytical receiving book. Separate columns are made for meat, chicken, vegetables, frozen food, milk, grocery, etc. This gives information at a glance that how much quantity under various head is received on a particular day.

Goods Received Book

Receiving Officer's Signature Date			
Supplier's Name	Order No.	Supply Order No.	Remarks



Equipments Required by the Receiving Department:

The equipments required by the receiving department can be broadly divided into major equipments and minor equipments. The receiving department should be well equipped with the various equipments so that the goods can be received efficiently and both the quantity as well as quality can be inspected.

Major Equipments:

a) **Various Weighing Scales:**

Different types of weighing scales are installed at receiving departments. In case of very heavy material like building material (steel, rods, etc) the loaded truck is weighed and after unloading the empty truck is weighed again and the difference is the weight of goods received. Different weighing scales are used to weigh heavy goods (in quintals) and smaller scales to weight goods in kilograms.

b) **Conveyer Belt:**

After weighing the goods, the conveyer belt is used to carry the goods to the store or to any other convenient place.

c) **Fork Truck:**

Fork truck is used to lift the un-loaded material from truck to bring to the receiving department for opening the big packets or to carry to weighing scales to weigh the exact weight of the goods received.

d) **Crane:**

Small cranes are used to stack the goods received in racks or specially build platforms.

e) **Trolleys:**

Trolleys are used to carry the goods received to the various stores, kitchens and other departments which had requisite the goods.

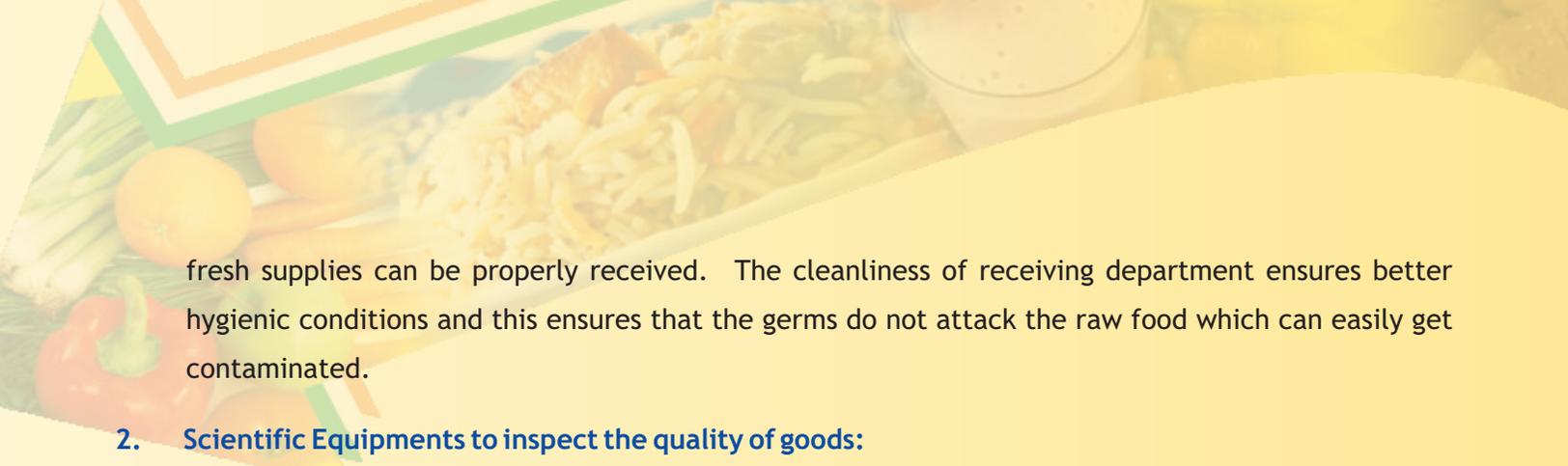
f) **Lift:**

To carry the goods to higher floors, the goods lifts are provided.

Minor Equipments:

1. **Racks:**

Numerous racks are provided to the receiving department so that the goods received can be kept till they are shifted to stores. This keeps the floor of the receiving department neat and clean and the



fresh supplies can be properly received. The cleanliness of receiving department ensures better hygienic conditions and this ensures that the germs do not attack the raw food which can easily get contaminated.

2. Scientific Equipments to inspect the quality of goods:

To check the fat content in milk a lactometer can be used. Small pans are provided where the frozen chicken can be dipped by filling them with water and after bringing it to room temperature the weight of the chicken is taken. Sometimes suppliers inject water in the wings / breasts of chicken and freeze them. Hotel pays for the frozen water along with the chicken. Different other scientific equipments are used to check the purity of pulses, whole masalas, etc.

3. Racks:

The filling racks are provided to keep all the supply orders, purchase orders, goods received book, credit notes, etc.

4. Table and Chair:

Table and chairs are provided to carry out the paper work.

5. Telephone and Intercom:

Telephone and intercom are provided so that there is no communication gap among various departments and suppliers.

Receiving of Expensive Items:

Although the quality and quantity received of every item should be checked but a special attention is given to the most expensive items. Prawn, Jumbo Prawns, Smoked Salmon, Meat, Caviar, etc are checked more thoroughly for both quality and quantity before receiving them.

The use of tag serves the following purposes:

1. It ensures that receiving officer actually weights and checks each and individual expensive item.
2. The reference number is issued and this helps in yield testing, portion control and control of food cost.
3. It provides a basis of control for expensive food items.
4. The weight of expensive item is taken and compared with the purchase specification and supply order / delivery note.

- The date on which the expensive item is received is mentioned and this helps kitchen and store for efficient rotation of stock.
- It helps in taking weekly and monthly inventories as the purchased weight is recorded.
- A portion of the tag is sent to control department before issuing them to the kitchen for control purposes. The portion of tag sent to kitchen also contains the desired information of the product.

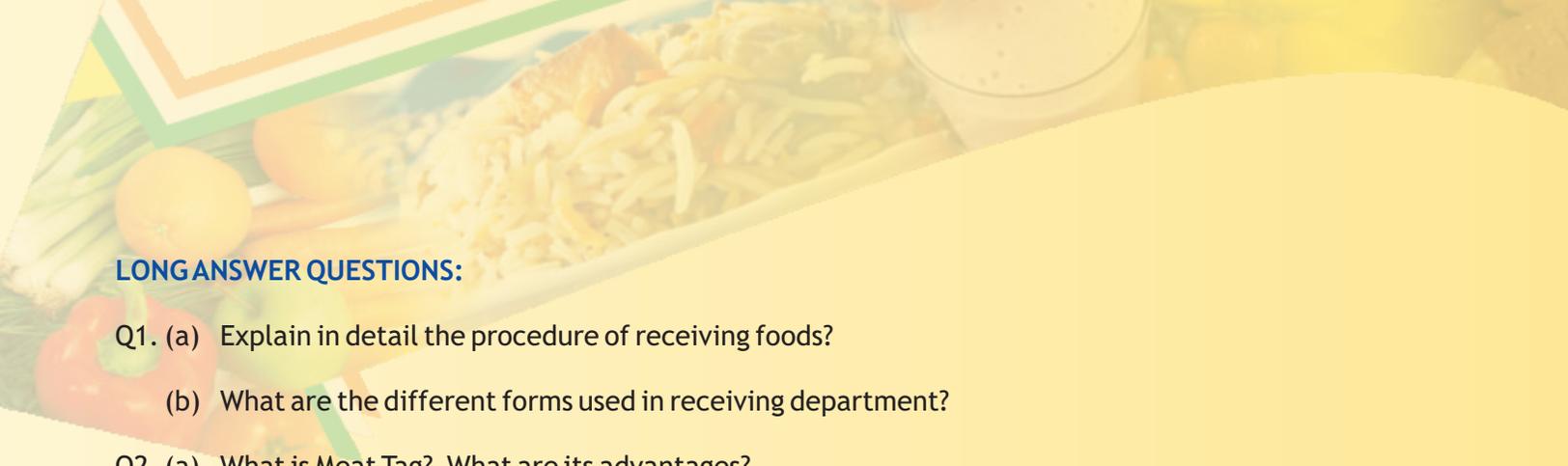
MEAT TAG

Item:	Lamb Meat
Cut	Full Carcass
Total Weight	8 Kilogram
Price Per Kg.	120 ₹
Total Price	960 ₹
Supplier	XYZ & Co.
Date	12th April, 2007
Food Control Copy No. 345654	
.....	
Item:	Lamb Meat
Cut	Full Carcass
Total Weight	8 Kilogram

Price Per Kg.	120 ₹
Total Price	960 ₹
Supplier	XYZ & Co.
Date	12th April, 2007
Food Control Copy No. 345654	

SUMMARY / RECAPITULATION:

- The receiving department must follow the procedure of receiving. He should refer to Delivery Note, Purchase Orders and record them in Goods Received Book
- Receiving department must be well equipped with major and minor equipments to receive goods properly.
- The expensive items received should be tagged.



LONG ANSWER QUESTIONS:

- Q1. (a) Explain in detail the procedure of receiving foods?
(b) What are the different forms used in receiving department?
- Q2. (a) What is Meat Tag? What are its advantages?
(b) Draw a neat format of Meat Tag.
- Q3. (a) What should be the ideal conditions of location and facilities for an efficient receiving department?
(b) List 5 reasons when a receiving clerk asks for a credit note.
- Q4. Draw the formats of (a) Goods Received Book (b) Credit Note.
- Q5. What are the records maintained in the receiving department? Explain any two of them.
- Q6. Write in detail the equipments required for the efficient receiving.
- Q7. What is Blind receiving? Explain in detail with its advantages.



CHAPTER 7

STORAGE CONTROL

LEARNING OBJECTIVES

After completing this chapter learners would be able to:

- (i) Know at what temperature the different goods are stored
- (ii) Know the layout of stores
- (iii) Understand the stock records and bin cards
- (iv) Understand the perpetual inventory method
- (v) Understand the issue of stores and Performa of requisition slip
- (vi) Understand the transfer, inventory and stock levels.

INTRODUCTION :

7.1 Aims and Objectives

The basic motive of the store department is to supply the requisite stores to Kitchens, Restaurants, Bars, House Keeping, etc. as and when required. There should be no wastage of stores due to bad storage, over stocking, wrong storing, wrong issuing (FIFO), etc. The store keeper should not be able to supply the requisite supplies but the goods supplied should be as per the desired specifications. Unnecessary storing of large quantity should also be avoided as this will increase the inventory cost and larger store space is required and this may also be a cause of wastage of stores.

The store (s) should be located near the receiving department and they should also be conveniently located so that various departments can pick up their stores without wasting much time and energy. The goods lifts can be provided to supply the goods to various departments.

The size of the stores should be large enough so that different items can be stored separately. Moreover, space is required to un-pack the large packets and then stack them properly. It is a saying that in stores there should a space for every thing and every thing should be at a proper place. The stores should be well ventilated and well lit. This helps in increasing the shelf life of the goods. The store should also have sufficient racks, containers, refrigerators, deep freezers, etc. so that the goods can be stored at proper temperature. For storing wines the cellar should be made in basement or the temperature of the cellar should be maintained so that the wines are stored properly and they should not get corky during storage time.

The store department should adhere to specific timings so that all departments can pick their stores. Usually different timings are allocated to various departments to pick their stores. This schedule timing helps hotel to supply goods to every one without wasting time. After the store timings the store should be properly locked and sealed and the keys should be deposited with time office. Only the staff working in store department should be allowed to enter in the stores. In case store is to be opened in the absence of store keeper then three responsible officers should open the store and all goods issued should be recorded and the store keeper should be informed about the same on his arrival to the hotel.

RECOMMENDED TEMPERATURE FOR STORAGE OF SOME COMMODITIES:

Following is the list of some food items with the recommended temperature at which they should be stored

S.No.	Item	Recommended Temperature
01	Dressed Poultry Frozen	-18C
02	Dressed Poultry Fresh (same day use)	-3 to 0 C
03	Eggs	2 C
04	Milk (Bottled/Poly bag) and milk products	-1 to 4.4 C
05	Fish	-5 to -1 C
06	Shell Fish	-18 to -10 C
07	Meats	-8 to -3 C
08	Root vegetables	Room temperature (22 C)
09	Tomatoes	13-15.5 C
10	Fresh fruits	5-8 C
11	Grocery dry	Room temp.
12	Oils and fats	Room temperature

Layout of Stores:

Whatever form of layout is used, it is advisable that the stores stock lists should be printed in relation to the layout so that stock taking becomes convenient.

Typical Layouts of Stores are:

- (i) The stored items should be either arranged alphabetically or numerically. For all items, separate bin cards should be made.
- (ii) The frequently issued goods are stored near the delivery door / window and the items which are not issued frequently can be stored a little away from the window / door.
- (iii) The commodities stored can be grouped,. For example, all pulses can be stored at one place and fruits and vegetable at other and the canned food at different place / rack.

STOCK RECORDS

There are different procedures to maintain the stock records for small sized hotels and for large hotels:

Maintenance of Stock Records in Small sized hotels:

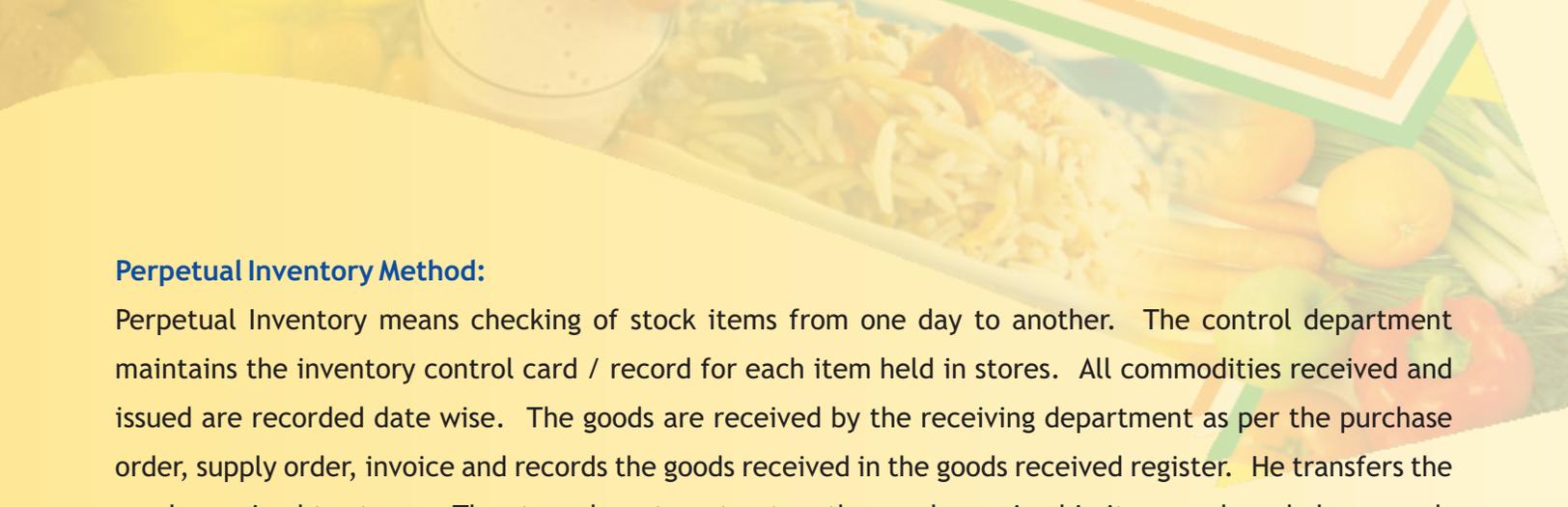
The owner or the manager may personally supervise the store. The small quantity of items is purchased on daily basis. All food and beverages received are recorded in the goods received register and this register also has an issue column and the balance is also shown in the same register. One registers only gives the entire information regarding receipt, issue, balance of all items stored in the store department. In some hotels separate records are maintained for issuing. But for each date separate pages are allocated for receiving and issuing purposes.

Maintenance of Stock Records in Large Hotels:

A large hotel with a large amount of stock of a great variety, very detailed records are necessary. The motive is to control the valuable stock efficiently. The commodities are issued against requisitions and are recorded in issue register. All requisitions should be signed by authorised person.

Bin Cards:

Bin Cards are prepared for each item stored in the store. It contains the description of the item, balance of the item, quantity of goods received; the quantity of goods issued and the balance of the item are shown on daily basis. It also shows the minimum stock, reordering point / level, maximum stock, danger point / level, economic ordering quantity. The bin cards are either kept along with each item or they are stored near the store keeper working table.



Perpetual Inventory Method:

Perpetual Inventory means checking of stock items from one day to another. The control department maintains the inventory control card / record for each item held in stores. All commodities received and issued are recorded date wise. The goods are received by the receiving department as per the purchase order, supply order, invoice and records the goods received in the goods received register. He transfers the goods received to stores. The store department enters the goods received in its records and also records them on all bin cards and stock cards. If the records are maintained properly by stores, receiving department then it becomes very easy to check it at any time for accuracy of entries and for control purposes.

Stores Issue:

For each department the schedule for issuing stores is made. All departments are required to come to stores for receiving stores at the specific day and time. The person from receiving stores is required to bring along with him store requisition register / slip. Against the requisition slip the goods are issued by the store department. While issuing him physically measures / count the items to be issued and record them in the requisition slip / register. The person receiving stores signs the slip. The store keeper retains the original copy of the slip and the carbon copy is returned to the department receiving stores for record purposes. In case of large requisitions the store keeper requests the department to give him the requisition a day in advance or at least a few hours before so that he can issue the stores without delay.

a) **Transfer Notes:**

Transfer of food items both in the raw form or cooked / semi cooked form from one department to another department within the hotel is done through transfer notes. For example, the kitchen may make out a transfer note to the room service bar for Irish Whisky for making an Irish coffee. Usually bar makes its own requisition for fresh fruits and picks them up from stores. But at times the bar may make a transfer note for fresh fruits like oranges, pineapple, lemons, etc. and pick them up from kitchen. The columns of the transfer form may be quite similar to the requisition form. Both transfer notes and requisition slips are internal invoices.

All requisition slips and transfer notes are sent to control department and accounts department for control and accounting purpose.

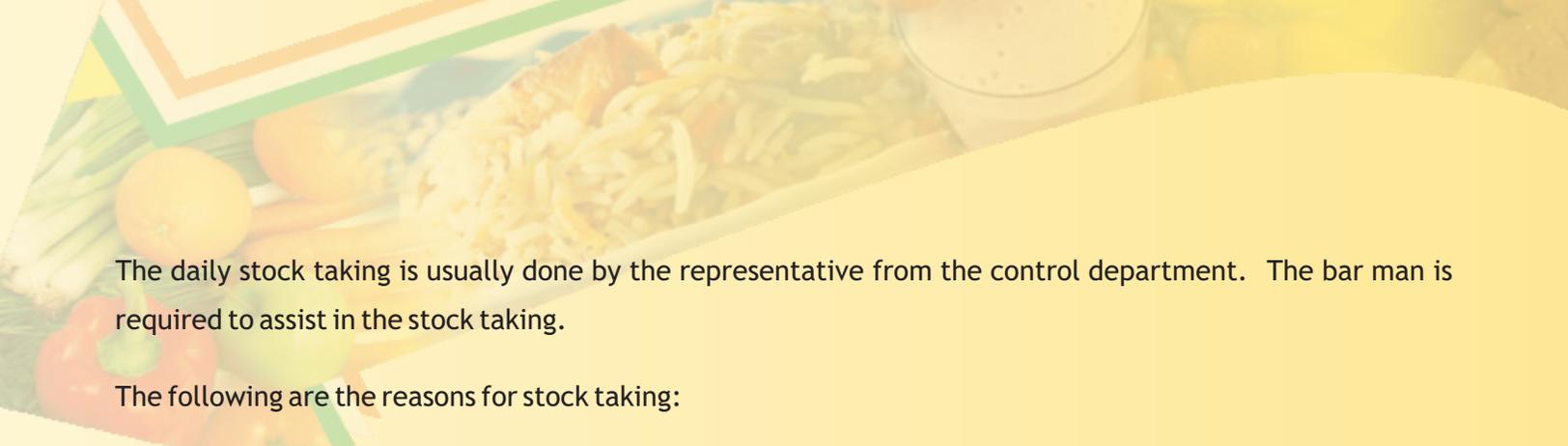
Breakages, Spoilage, Damaged Goods:

Though the breakages, spoilage and damage of goods should be avoided as far as possible, but the spoilage can not be eliminated altogether. In case management is of the view that the breakage / spoilage / damage of goods is due to the negligence of the store department then it is charged to the stores personnel. All breakages, etc are recorded in damaged goods book. The book would record the date, description of item, details of purchase, value, reasons for spoilage, action taken by the store in charge and remarks. Normally, the spoilage of items due to unavoidable reasons is written off by the management.

Stock Taking:

The regular and surprise stock taking is a must for an effective control. This should be followed in addition to daily check kept on the receipt and issue of items from the stores. The stock variation may not be always due to pilferage but usually the variation in physical stock as compare the stock as per Bin card may be due to variation in weighing (less weighing or over weighing). In case of a little bit variation, the store keeper may be warned orally to be more careful in weighing the items while issuing.

The purpose of beverage stock taking is to ascertain the actual value of beverages in stores and how much it is different from book value. Usually every day after the bar is closed the physical stock taking of all beverages is taken. The open spirit bottles are measured physically to know the exact number of drinks in stock. The balance C/F becomes the balance b/d on the following day. All purchases / requisitions are added and the balance shown at the end of the shift is deducted to know the actual consumption for the day.



The daily stock taking is usually done by the representative from the control department. The bar man is required to assist in the stock taking.

The following are the reasons for stock taking:

1. Stock in Hand:

To calculate the profit and loss account, it is must to know the actual value of stock in Rupees to show it a in the books. The stock of items is taken physically and the value of the stock in hand is calculated. Usually the actual cost or the current market price, which ever is lower, is taken into account for calculation the value of stock.

2. Discrepancy:

No matter how carefully the receipts and issue of goods are recorded in the stores records, still there might be discrepancy in the physical stock in hand, as compare to the stock in books. Management must ensure that these discrepancies must be minimised, if not eliminated all together.

3. Printed Stock Sheets:

The stock taking should be taken by the group of persons consisting of officials from Control department, Accounts department and Food and Beverage department. The printed stock sheets are prepared as this helps in taking the stock more speedily.

4. Time of Stock Taking:

Usually the stock taking is done either after the closing hour of the stores or before opening of the normal stores timings. This is done to avoid any disturbance to the routine distribution of the requisitions to various departments.

5. Stock Taking on Monthly Basis:

The stock taking should be done at least once a month. If any discrepancy is discovered then the record for the same is made and the actual stock is taken in the books for day to day operation.

6. Professional Stock Takers:

The management may hire professionals for Stock taking at least once a month. This ensures that the stock taking is done more systematically and efficiently by the internal staff of the hotel.

Stock Turnover:

Stock turnover means that how much stock is kept at the stores in relation to the food cost or sale. The more the stock is kept at stores, the more cost / investment are incurred by the hotel.

Stock Turnover = Cost of food consumed = Rate of Stock Turnover (RST)

Average Stock at Cost

Illustration:

Rs. 48,000 of food items were consumed in a month. The opening stock on 1st of the month was valued at Rs. 5,000. The closing stock on the last day of the month was Rs. 7000. Find out the Rate of Stock Turnover.

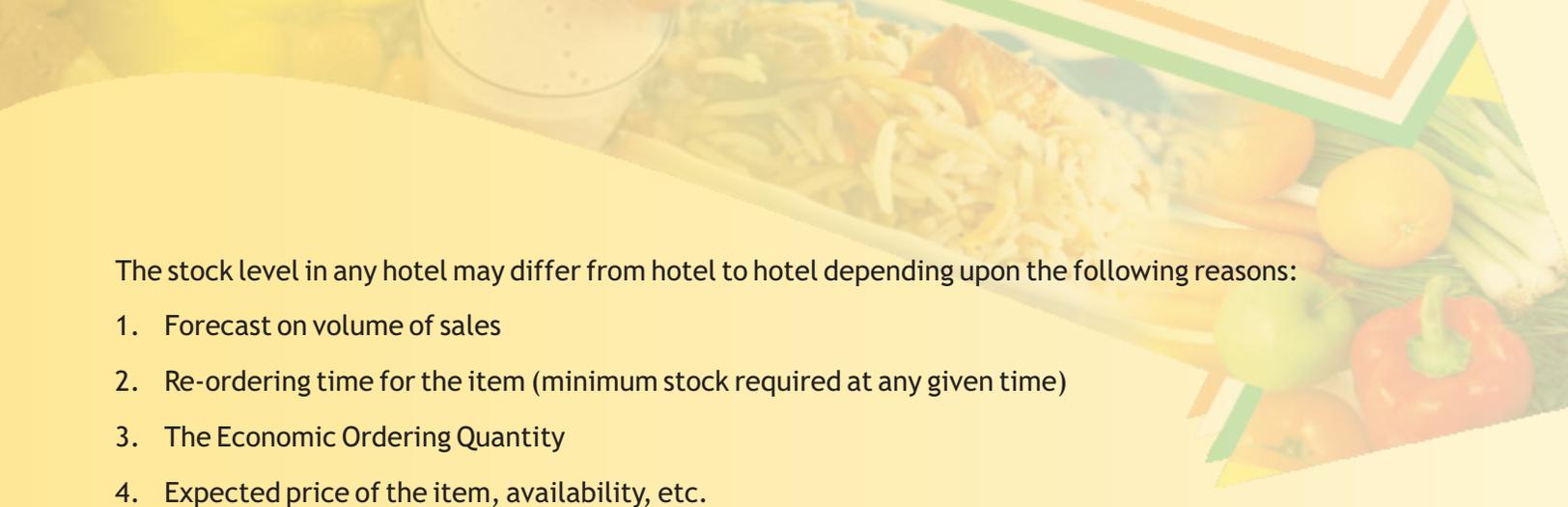
Solution:

$$\begin{aligned} \text{Rate of Stock Turnover} &= \frac{\text{Cost of Food Consumed}}{\text{Average Stock at Cost}} \\ &= \frac{\text{Cost of Food Consumed}}{\frac{\text{Opening Stock} + \text{Closing Stock}}{2}} \\ &= \frac{48,000}{\frac{5000 + 7000}{2}} \\ &= \frac{48,000}{6,000} = 8 \end{aligned}$$

This means that the total value of the stock turned over 8 times in the month trading period.

Stock Levels:

The stock level has a direct impact on either running out of stock of an item (with all the problems that would follow) or of over stocking of an item, and thereby tying up unnecessary working capital. The management would like to have a stock level which should neither have a situation of running out of the stock nor over-stocking.



The stock level in any hotel may differ from hotel to hotel depending upon the following reasons:

1. Forecast on volume of sales
2. Re-ordering time for the item (minimum stock required at any given time)
3. The Economic Ordering Quantity
4. Expected price of the item, availability, etc.
5. The storage space and facility available
6. The shelf life / keeping quality of the item
7. Working Capital available
8. Danger level

Some of the above mentioned reasons are beyond the control of the purchase officer. He must evaluate the forecasts, market availability, etc to maintain a correct stock level for every item so that he can have the best stock turnover and the return on working capital.

SUMMARY / RECAPITULATION:

1. The stores should be in nearby area to the receiving department.
2. Bin cards are prepared to know the stock in hand, name and address of the supplier, maximum stock, minimum stock, etc.
3. Perpetual Inventory means checking of stock items from one day to another.
4. Stores should be issued against proper store requisitions only.
5. Periodically the physical verification of the stock should be taken.

LONG ANSWER QUESTIONS:

- Q1 Why is requisition an essential part of issue control? Explain
- Q2 What are the different ways that stocks can be valued in a Food and Beverage Service operation?
- Q3 Explain briefly the following: (a) Bin Card (b) Meat Tag (c) Re Order level (d) Standard Yield (e) Economic Order Quality



CHAPTER 8

ISSUING CONTROL

LEARNING OBJECTIVES

After completing this chapter learners would be able to:

- (i) Understand the facilities provided in the store department
- (ii) How to price the commodities
- (iii) Understand the stock records and how to issue them
- (iv) Understand the storage and issue of beverages

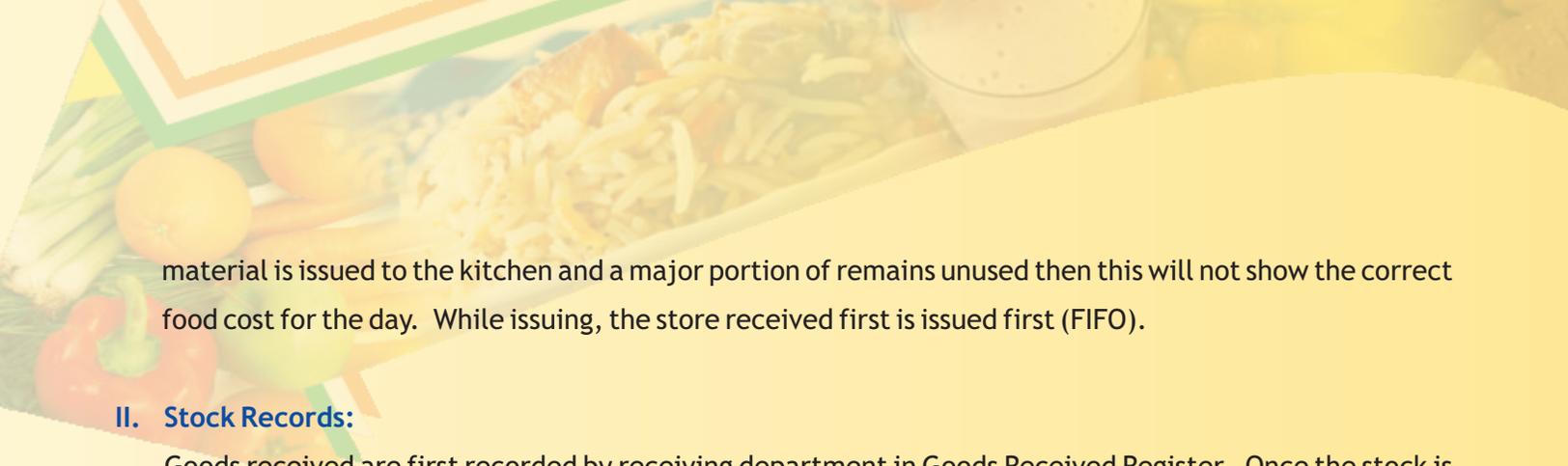
I. Storing and Issuing of Items:

The storage facilities, space, availability of working capital, management policy, future rates of commodities, shelf life, time taken in delivering the goods by suppliers etc. are the main factors which determine whether supplies will be delivered on daily basis, weekly basis or on monthly or seasonal basis. The perishable items may be purchased more frequently as compare to non perishable items.

A large hotel would have separate cold rooms to store different items at different temperatures. The perishable and frozen items should be stored at the most appropriate temperature and environment so that the freshness of the products remains intact. The smaller hotels may have freezers and deep freezers instead of cold rooms depending upon the space available and the quantity of stock stored.

The modern cold rooms and refrigerators have automatic defrosting facilities and the auto cut maintains certain temperature at all times. The cold rooms and refrigerators must be efficient so that power consumption is kept under check.

Different type of food stuffs are either send to different stores or in the different sections of the same store or to the kitchens directly. Perishable items are sending straight to kitchens but the non-perishable items are stored in the general store. Frozen stuff and some perishable items find their way to cold stores / refrigerators / deep freezers. The food items issued to kitchens against requisitions should be charged to the kitchen for the purpose of calculating food cost. In case a large quantity of raw



material is issued to the kitchen and a major portion of remains unused then this will not show the correct food cost for the day. While issuing, the store received first is issued first (FIFO).

II. Stock Records:

Goods received are first recorded by receiving department in Goods Received Register. Once the stock is transferred to stores then it is recorded in Bin Cards and Stock Cards. Apart from maintaining Bin Cards and Stock Cards the Stock taking is also done by the officials of accounts department, control department and food and beverage department at least once in a month. These all ensure that the control of stock is properly maintained and the inventory in physical form is comparable to the inventory as per Bin Cards. For calculating the stock cost, the management normally calculates the stock value either at procurement (Purchase cost + Carriage Inwards + Commission, etc.) or the current price which ever is higher.

III. Stores Issues:

The goods received in stores are kept at proper place so that they can be counted / weighed without delay while issuing to the departments against requisitions. It is a saying that to have an efficient store there should be place for every commodity and every commodity should be at proper place. The stores received first are issue before (FIFO). While opening boxes the cans and bottles should be checked. If any can is damaged it should not be accepted. The swelled cans usually contain contaminated food and due to the gas the cans swell. The cracked bottles should not be accepted and these rejected items should be sent back to the suppliers.

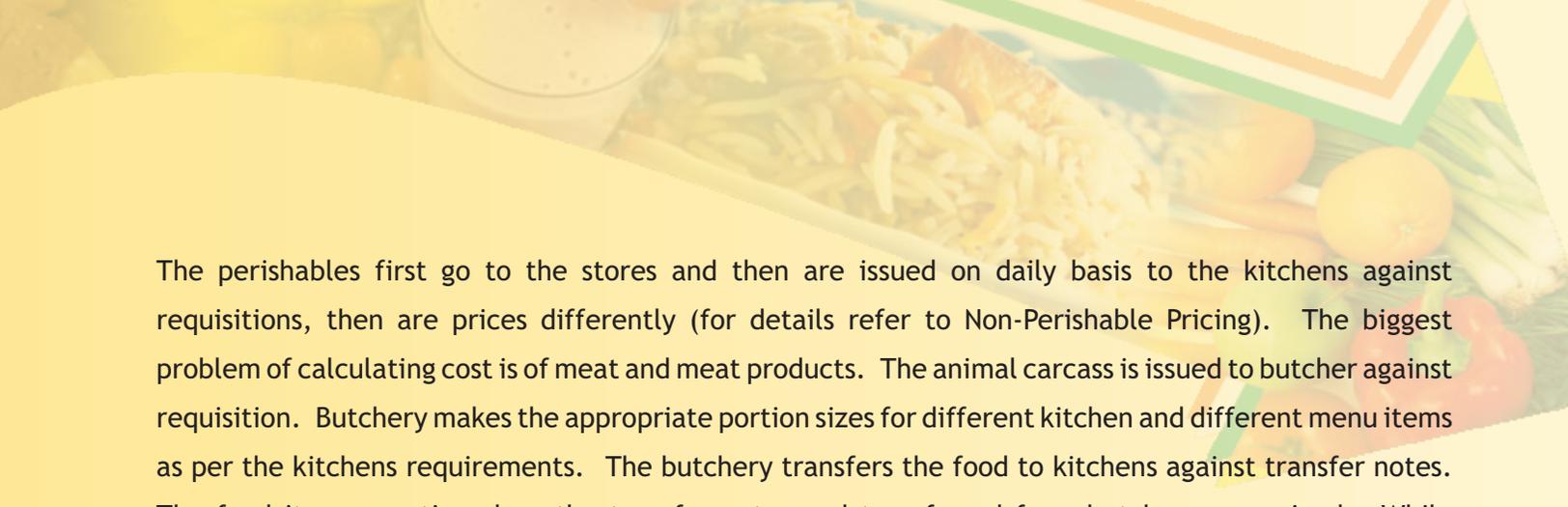
IV. Pricing of Commodities:

All food items issued to departments should be fairly charged for calculating food cost. Food cost is a very vital tool of evaluating kitchens efficiency and management gives a lot of importance to the food cost.

The method of pricing the food issued depends on the type of commodity. The commodities can be broadly divided into Perishables and Non-Perishables,

V. Perishables:

Almost all perishable commodities directly go to the kitchen and are priced at actual purchase price.



The perishables first go to the stores and then are issued on daily basis to the kitchens against requisitions, then are priced differently (for details refer to Non-Perishable Pricing). The biggest problem of calculating cost is of meat and meat products. The animal carcass is issued to butcher against requisition. Butchery makes the appropriate portion sizes for different kitchen and different menu items as per the kitchen requirements. The butchery transfers the food to kitchens against transfer notes. The food items mentioned on the transfer notes and transferred from butchery are priced. While calculating the price of meat products the butchery keeps in mind the wastage and the actual yield is priced for control and costing purpose.

VI. Non-Perishable:

In case of Non-Perishable items there are several different methods to price the items / commodities. But only one of the methods is adopted to price the commodities.

The following are the different methods for pricing Non-Perishables:

1. Procurement Price / Purchase Price:

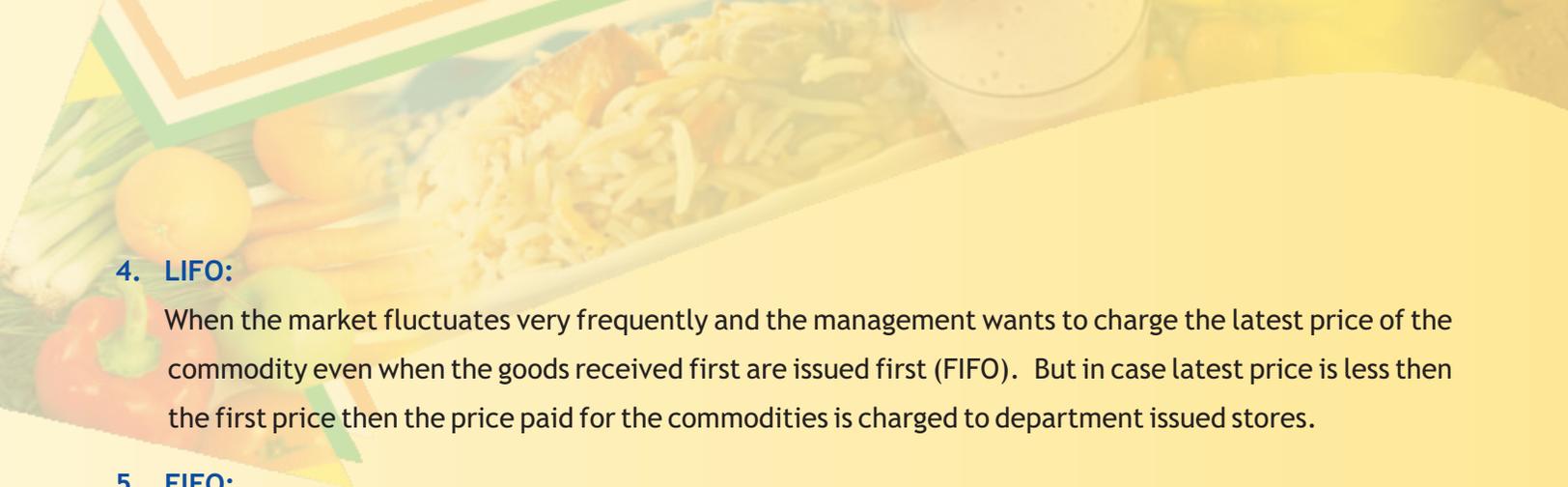
The Procurement price of an item may or may not be same as purchase price. In case goods are purchased through agent or the supplier is quoting price ex show room / store then the hotel is required to pay the commission to the agent and carriage inward charges for transporting the goods to the hotel. For majority of the consumable items which is usually consumed within a day or two of purchasing are usually charged on purchase price for calculating food cost.

2. Average Price:

In case the price of an item fluctuates very frequently and every time it is purchased, the price may be different than the price paid, may be, a day before. These items when issued to departments against requisitions are charged while calculating the average price paid for the item. This ensures more stability in the issue price of the commodities and hence does not affect adversely on the food cost.

3. Weighted Average Price:

The weighted average of the items is calculated to have more stability in issue price as compare to Average Price. For example if 100 packets of mushrooms are purchased at the price of Rs. 8 per packet and 400 packets of mushrooms are purchased at the price of Rs. 7. Then the Weighted Average Price will be $100 \times 8 + 400 \times 7$ divided by 500 to know the price per packet. This will come to $\text{Rs. } 800 + \text{Rs. } 2,800 = \text{Rs. } 3,600$ divided by 500 = Rs. 7.20 per packet.



4. LIFO:

When the market fluctuates very frequently and the management wants to charge the latest price of the commodity even when the goods received first are issued first (FIFO). But in case latest price is less than the first price then the price paid for the commodities is charged to department issued stores.

5. FIFO:

This means the goods purchased first will be issued first and also the same price will be charged while issuing stores.

6. Higher Price:

The price debited to the departments while issuing stores is more than the price paid by the hotel for procuring the goods. This is done to cover the store and purchasing cost of the product.

7. Standard Price:

Irrespective of the price paid for procuring the commodities but the price charged is fixed by the management. Usually the management fixes the price of a commodity for a certain period, say, three to six months and the same price is charged to departments while issuing commodities against requisition. This helps in maintaining the food cost irrespective of the market price.

VII. STORAGE OF BEVERAGES AND ITS ISSUING

The frequency of beverage deliveries depends upon the location and type of the hotel and the size of its storage facilities. The storage facilities at cellars and bars are to be carefully analysed. The cellars / beverage store rooms should be closer to the receiving department. Transferring of beverages from receiving department to stores and from stores to bars must be done carefully so that the pilferage of bottles may not take place.

As far as possible the cellar should be divided into four parts:

1. Red Wines and Spirits:

Red wines and spirits should be stored at 55 degree Fahrenheit / 13 degree Centigrade. This part of the store rooms should be dry and draught free.

2. White Wine and Sparkling Wines:

White wines and sparkling wines should be stored at a cooler place and the temperature of this area should be 50 degree Fahrenheit / 10 degree Centigrade.

3. Beers and Soft Drinks:

Beers and soft drinks should be stored at 55 degree Fahrenheit / 13 degree Centigrade.

4. Empty Bottles:

For storing empty bottles and crates a separate exclusive space should be marked and this area should not have an easy access by the staff for control purposes.

The wines should be stored in tilting form so that the corks remain moist at all times. This prevents corks becoming dry and that makes the wines corky.

VIII. STOCK RECORDS FOR BEVERAGES:

Keeping in view the high value of alcoholic beverages procured, received, transferred to stores / cellars and then finally issued to bars against requisition is done more carefully than food items.

1. Cellar Inwards Book:

All alcoholic beverages received are recorded in the book called, 'Cellar Inwards Book'. From the cellars inwards book, the receipts are recorded to the bin cards and stock ledger.

CELLAR INWARDS BOOK

Date						
Date	Items	Invoice / Delivery No	Bin No.	Size	Bottles	Remarks



Receiving Clerk			Head Store Man			

2. Bin Cards / Stock Cards:

These cards are quite similar to bin cards used for food stores.

3. Cellar Control:

All beverages received (from receiving department) and issued to bars against requisitions are entered in the register called daily issues register. This information is also recorded in the bin cards / stock cards for cross check. The bottles are issued to the bars kitchen against requisition slips. All issues are priced at either the purchase price or at any other price fixed by the management (for details of pricing please refer to the notes of pricing of non-perishable items).

4. Inventory:

The inventory of cellars / stores as well as all bars must be taken very regularly and if possible on daily basis. Physically all bottles, cans, etc, should be checked and counted. The open bottles in the bars should be measured to know the exact quantity of drinks in the bar for control purposes.

5. Empty Bottles:

Usually hotel pays security for empty bottles, racks, crates, etc to the suppliers. A strict control on the movement of these is kept. Stores issue fresh bottles, crates against the empty bottles, crates, etc. While taking inventory of bars / stores the control department also checks the empty bottles, racks, crates, etc.

6. Breakages:

If breakage is due to negligence in transferring / handling, then it is charged to the responsible person. In case, if the breakage is due to, beyond human control, then the bottle broken is written off. The control department takes along with them the sealed bottles neck as a proof. In case a loose bottle is broken then the bar man is charged for the same.

7. Corky Wines:

Corky wines are also termed as Ullage. Due to bad storing or due to fault in cork air is able to find its way to the wine bottle. This air makes the wine corky. Corky means the wine is not suitable for consumption due to change in its taste. The corky wines are cancelled and shown in the breakage / spoilage records by the control department.

8. Level of Stock:

The level of stock should depend upon the size of cellar, working capital available, future price of the beverages, management policy, and time taken by the suppliers to supply the products. The location and size of the hotel also has an impact on the level of stock of beverages.

SUMMARY / RECAPITULATION:

1. The goods received first are issued first (FIFO)
2. LIFO - means while pricing the last goods received are expensive as compare to goods received earlier then they should be priced for costing purposes as per the last cost price.

ANSWER THE QUESTIONS:

- Q1. (a) What are the different records used for maintenance of stocks?
(b) How is pricing of foods carried out?
- Q2. Why is requisition an essential part of issue control? Explain
- Q3. What are the different ways that stocks can be valued in a Food and Beverage Service operation?
- Q4. Explain briefly the following: (a) Bin Card (b) Meat Tag (c) Re Order level (d) Standard Yield (e) Economic Order Quality
- Q5. What is Pricing of issues? What are the different methods of pricing of issues?
- Q6. What are the objectives of storing control? List 10 points of care and maintenance of cold room.
- Q7. Write briefly on: (a) Transfer Note (b) Layout of stores (c) Stock levels (d) Stock records.

CHAPTER 9

PRODUCTION CONTROL



LEARNING OBJECTIVES

After completing this chapter learners would be able to:

- (i) Understand the stages used to control the preparation of food and beverages
- (ii) Understand the Objectives of Volume forecasting for food
- (iii) Understand the method of forecasting
- (iv) Understand the Cyclic Menus

I. Aims and Objectives:

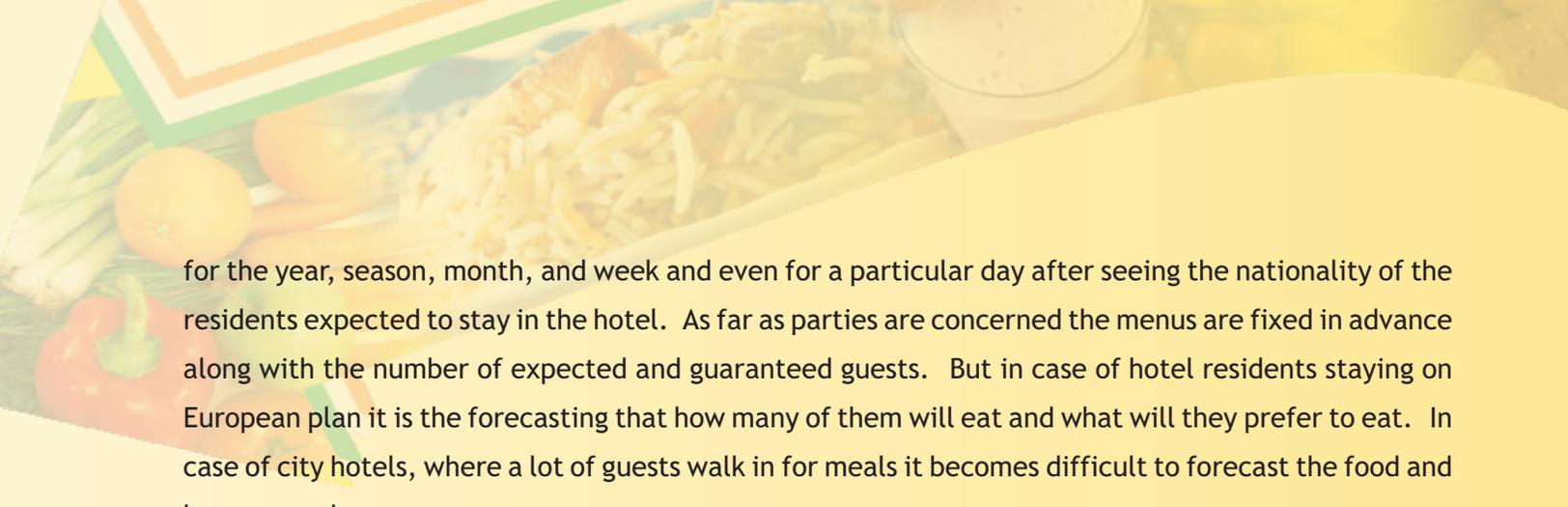
The aim and objective of production control to reduce over production waste during cooking, storing, purchasing, processing, portion size, etc. In spite of having a good sale, a hotel may incur loss due to WRONG of the kitchen in handling raw material, the preparation and the sale of food.

The following stages are used to control the preparation of food and beverages.

1. Volume Forecasting
2. Standard Yields
3. Standard Recipes
4. Standard Portion Sizes
5. Standard Portion Cost

1. Volume Forecasting:

The forecasting is a highly professional job and should be handled by professionals only. It is the prediction of volume of food and beverage sale. It is not only the total volume of food and beverage sale but the forecasting is to be made for the volume of individual items sale. This forecasting helps kitchen and management to prepare the food of such quantity that neither the food is wasted due to over production nor orders are refused due to under production. The information regarding house count, groups staying in the hotel, number of guests / groups staying on plans other than European Plan, parties, conferences booked for the day and for the next few days. The forecasting can be done



for the year, season, month, and week and even for a particular day after seeing the nationality of the residents expected to stay in the hotel. As far as parties are concerned the menus are fixed in advance along with the number of expected and guaranteed guests. But in case of hotel residents staying on European plan it is the forecasting that how many of them will eat and what will they prefer to eat. In case of city hotels, where a lot of guests walk in for meals it becomes difficult to forecast the food and beverage sale.

a) The Objectives of Volume forecasting for food are:

- a) To forecast the total number of meals sold during breakfast, lunch, dinner, etc. in different restaurants during a particular day.
- b) To forecast the type of meals preferred by the guests. Whether guests will prefer vegetarian food or non vegetarian food. Or whether they will prefer Indian, Chinese, Continental, etc.
- c) Volume forecasting will facilitate in purchasing of raw material
- d) It ensures availability of all necessary ingredients.
- e) The quantity of each raw material required is procured in right quantity.
- f) It helps in controlling the food cost of kitchens and bars.
- g) The actual sale under various heads is compared with the forecasted sale to know the correctness of forecasting.

b) Method of Forecasting:

No matter what ever method may be adopted or the forecasting might have been done by the most professionals, still to have the full proof forecasting is impossible. These days hotels in metros are having early morning buffet at economical rates to consume the leftovers of the day. This helps in controlling the wastage and hence, food cost.

The volume forecasting can be divided in two stages and these are initial forecast and a final forecast.

c) Initial Forecast:

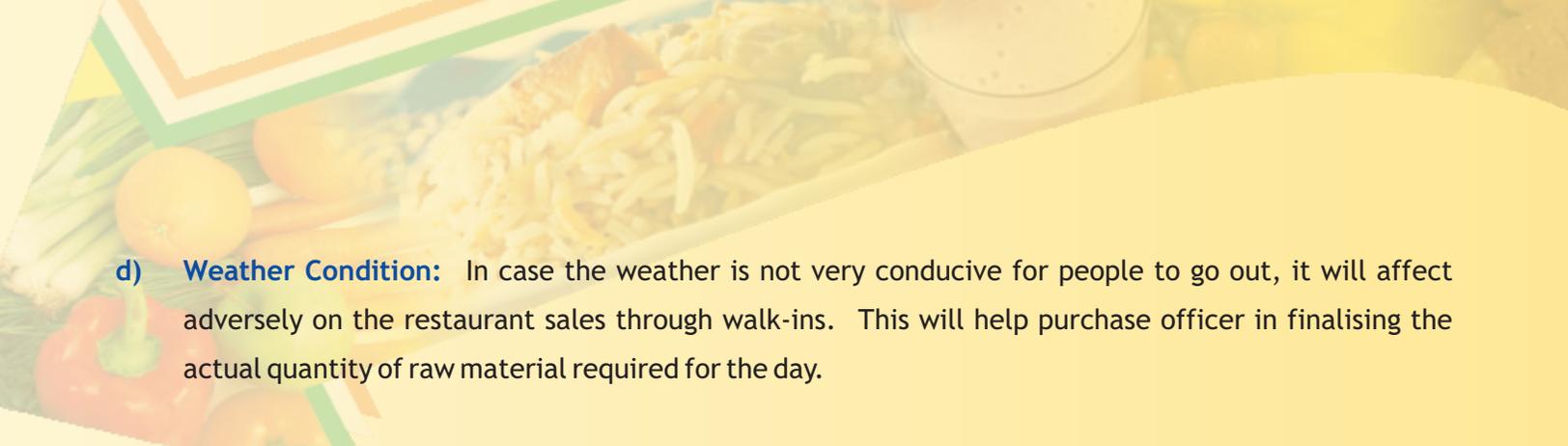
The initial forecast is made for the following week and contains the number of meals to be served in each restaurant / outlet along with the type of items to be served.

To have a nearly correct initial forecast the following information is collected:

- a) **Sales History:** The sales of the same period during previous year and the preceding weeks sale is examined for forecasting the next weeks sales.
- b) **Table Reservations:** Table reservations for all restaurants along with the menu and number of guests should be considered for making forecasts.
- c) **Banquets, conferences:** All parties including banquets, conferences, kitty parties, etc. along with the expected number of guests and menu should be kept in mind while forecasting.
- d) **Current Events:** Any happenings in the town like trade fairs, exhibitions being held near by, will have a positive impact of the expected sale. On the contrary during marriage seasons, the walk-in customers for meals and snacks reduce.
- e) **Current Trends:** The current trends of selling or ordering menus should be considered. This can be picked up from the restaurant sales summary sheet / restaurant checks or from the kitchen summary sheet. All cancellation of orders should also be evaluated for the cause of cancellation of orders. The corrective measures where ever required should be taken to pick up the sale.

After making the initial forecast the final forecast is made:

- a) **Quantity of raw material:** After forecasting the dish wise sale, the quantity of basic raw material required to prepare those dishes is made. This is done in order to make right requisitions from stores and for placing orders / supply orders from purchase department to suppliers on time for the right quantity. This helps in minimising the wastage and also avoids the chances of cancellation of orders due to non availability of raw material.
- b) **Quantity ordered:** Purchase officer will evaluate the next week's requirements for the restaurants and will place the order with supplier keeping in mind the availability of store space, working capital, management policy.
- c) **Current day's requirement:** After checking the closing stock of raw material with the kitchens and stores, the purchase officer will place the order for the current day's perishable supply. He will also keep in mind the forecast for the day.



d) **Weather Condition:** In case the weather is not very conducive for people to go out, it will affect adversely on the restaurant sales through walk-ins. This will help purchase officer in finalising the actual quantity of raw material required for the day.

Aids to Volume Forecasting:

The following aids are useful for volume forecasting:

1. Cyclic Menus for Hostels:

Cyclic menus are very common amongst hostels, canteens, residential hotels, etc. The same guests are served meals (break fast, lunch and dinner) on daily basis. It is not economical to have elaborate menus and offer choice to the guests on a la cart basis. The length of the period depends upon the length of the menu (number of dishes which can be offered to the guests). Usually hostels have weekly cyclic menus. Seven menus for break fast, lunch and dinner are made and served during the week. While planning the cyclic menus, the nutritive requirements of the guests, availability of the raw material, cooking equipments, chef's abilities, cost / price factors, service facilities and equipments available, etc are kept in mind. Usually the food items are not repeated in the cyclic menus and the taste of the guests is very important while planning the cyclic menus.

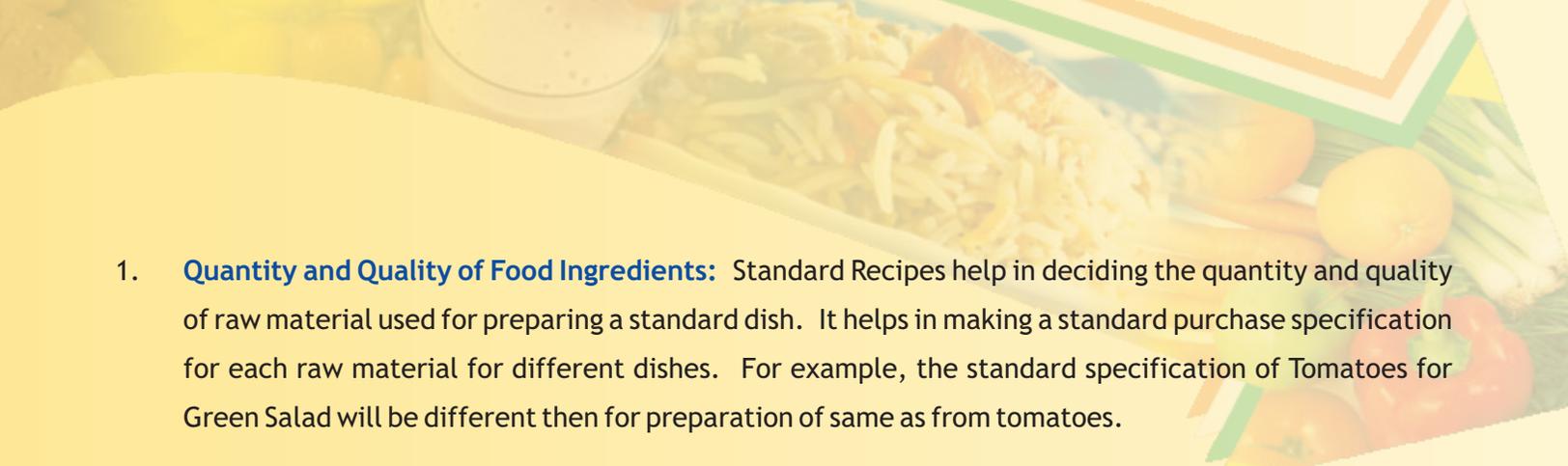
The cyclic menus help in controlling the cost at all levels. It reduces the load on kitchen and service staff as the shorter menus are decided in advance and can be prepared for the fixed number of guests. For service as well, the time of service is pre fixed and all the guests come at a particular time and hence it reduces the load on service department. More over the number of guests to be served are fixed so it minimises the food wastage as the right quantity of food is cooked.

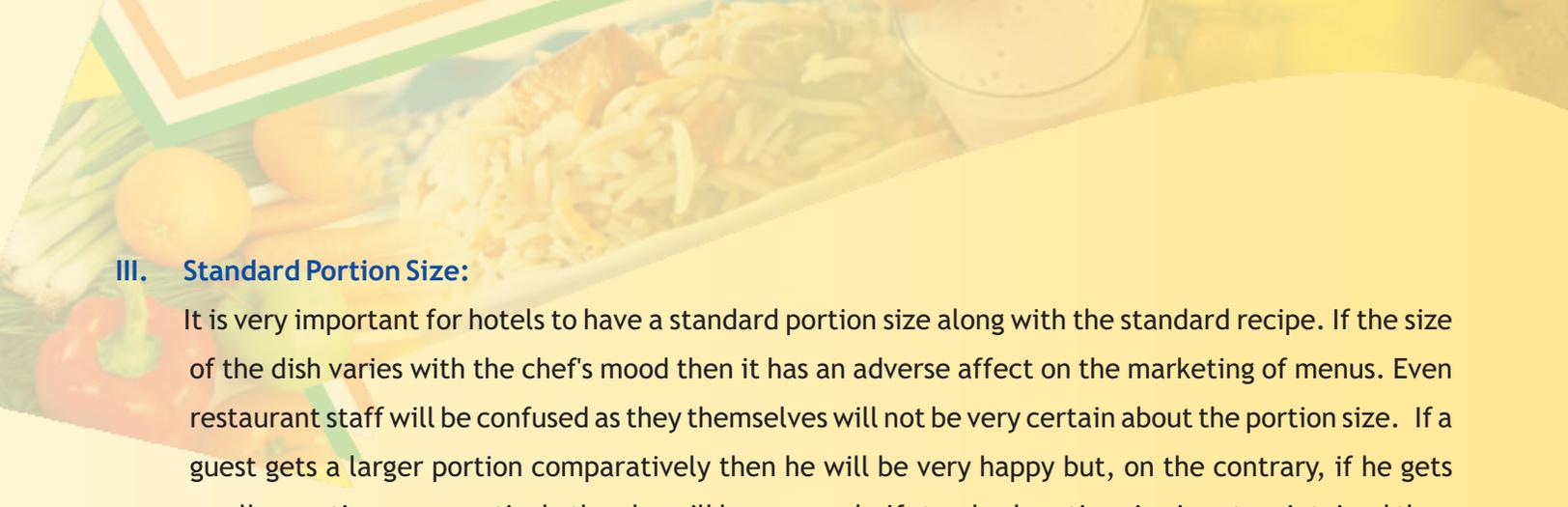
2. Sales Histories:

For each outlet a sales history is made depending on the record of actual sales and potential sales. The record of sale of previous year, month, week, etc for the same period and the special events taking place in the hotel, city and weather forecast, etc. help in forecasting the sale for the coming days, months, etc. In the same way the forecasting for menu items can also be made. This helps in purchasing and cooking the right food and in right quantity.

II. Standard Recipes:

The following are the objectives of preparing standard recipes:

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1. **Quantity and Quality of Food Ingredients:** Standard Recipes help in deciding the quantity and quality of raw material used for preparing a standard dish. It helps in making a standard purchase specification for each raw material for different dishes. For example, the standard specification of Tomatoes for Green Salad will be different then for preparation of same as from tomatoes.
 2. **Yield:** It helps in deciding the size of carcass or type of meat to be purchased to minimise the wastage. Standard recipes guide chef in fixing the size and weight of each portion and hence the maximum yield can be obtained from the raw material purchased.
 3. **Food Cost per Dish:** It helps in maintaining the food cost of each and every dish and hence in maintaining the gross profit. $\text{Sale per dish} - \text{food cost per dish (variable cost)} = \text{gross profit}$.
 4. **Nutritional Value of Dish:** It is very useful especially for hostels, hospitals, industrial canteens. The nutritional value can be accurate when known quantities and qualities of raw material will be used.
 5. **Menu Planning:** It helps in planning menu as far as colour, method of cooking; basic raw material, etc. are concerned because the quantity and quality of all raw materials is known in advance.
 6. **Purchasing, Requisitions and Departmental Transfers:** If the exact quantity and quality of each ingredient is known in advance because of correct forecasting and standard recipes then it helps purchase department to make the correct purchasing, kitchens can sent the exact requisition of commodities required and even inter department transfers are done more accurately (departmental transfers are more common for kitchens to make inter departmental transfer of food items from butchery).
 7. **Standard Food:** If standard recipe is used then the standard of all dishes will remain same even if the main chef goes on leave or resigns.
 8. **Portion Control:** Standard recipes help in maintaining the portion control and hence the food cost.
 9. **Standard Recipe Book:** Hotels usually prepare standard recipes, take a colour photograph of each dish, write the exact quantity and quality of ingredients required and mention in detail the method of cooking. This Recipe Book helps new employees in maintaining the same standard. Restaurant staff can also be trained by showing the standard recipe book and while taking orders they can explain to guests better and this helps in selling the right food to guest.



III. Standard Portion Size:

It is very important for hotels to have a standard portion size along with the standard recipe. If the size of the dish varies with the chef's mood then it has an adverse affect on the marketing of menus. Even restaurant staff will be confused as they themselves will not be very certain about the portion size. If a guest gets a larger portion comparatively then he will be very happy but, on the contrary, if he gets smaller portion comparatively then he will be annoyed. If standard portion size is not maintained then it will also affect on the maintenance of food cost. The standard portion size may differ from table d'hôtel menu and a la carte menu. The question here is not, what should be the size of portion? This may differ from hotel to hotel depending upon the management policy, price of the dish / menu. But the question is that whatever standard portion size is decided by the management then the same portion size must be served on all days by the restaurant / kitchen. Even the accompaniments served along with the main dish must have a standard portion size. Even the decoration / presentation of the dish and the container in which it is served must have the uniformity.

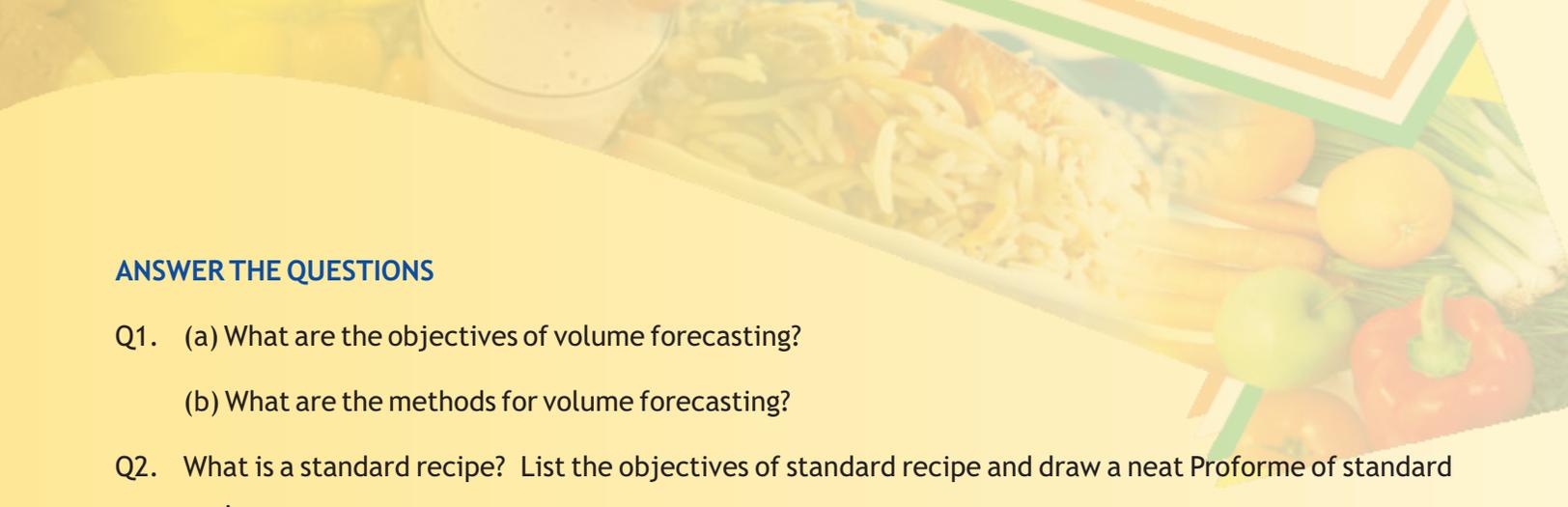
IV. Staff Meals:

The larger hotels have a separate staff dining hall and all staff members are required to have their meals in the staff cafeteria. Some hotels maintain a separate dining hall for executive and called Executive Dining Hall (EDR). But these days only one dining hall is made and all staff members are required to eat there only. The food cost of the staff meals dining hall is prepared separately. The kitchen attached to dining hall maintains its own food cost. Like any other kitchen they are audited. Hotels usually charge a very nominal cost from the staff for serving them meals on duty.

Smaller hotels who can not afford to maintain a separate kitchen for staff meals, serve food to its staff from the main kitchen only. But a separate costing is done for the staff meals and it is debited to the labour cost and not to the food cost.

SUMMARY / RECAPITULATION:

1. The forecast can be either initial forecast or final forecast.
2. For volume forecasting cyclic menus and sales histories are referred.
3. Each portion should be of a specific standard as this will help in controlling the food cost and guest will always feel satisfied.



ANSWER THE QUESTIONS

- Q1. (a) What are the objectives of volume forecasting?
(b) What are the methods for volume forecasting?
- Q2. What is a standard recipe? List the objectives of standard recipe and draw a neat Proforma of standard recipe.
- Q3. Define portion control. Enumerate on objectives of portion control. Explain briefly the ways of monitoring portion control. List any six portion control equipments.
- Q4. Write short notes on (a) Vending Machine (b) Aims and Objectives of Production Control
- Q5. What is the importance of Volume forecasting? How is it done in hotels?
- Q6. Explain the importance of standard recipes and draw the Standard Recipe Format for any one dish.
- Q7. Write short notes on: (a) LIFO & FIFO, (b) Rate of Stock turnover (c) Re-ordering level (d) Standard Yield. (e) Standard portion size (f) Standard Recipes.



CHAPTER 10

SALES AND REVENUE CONTROL

LEARNING OBJECTIVES

After completing this chapter learners would be able to:

- (i) Understand the control of cash, traveller's cheque and credit card
- (ii) Understand the methods of pricing
- (iii) Understand the cash receipts, payments and disbursement
- (iv) Understand the internal control and types of internal control
- (v) Understand the different types of frauds and how to control them.
- (vi) Understand the account aging and how it helps in controlling the credit sale

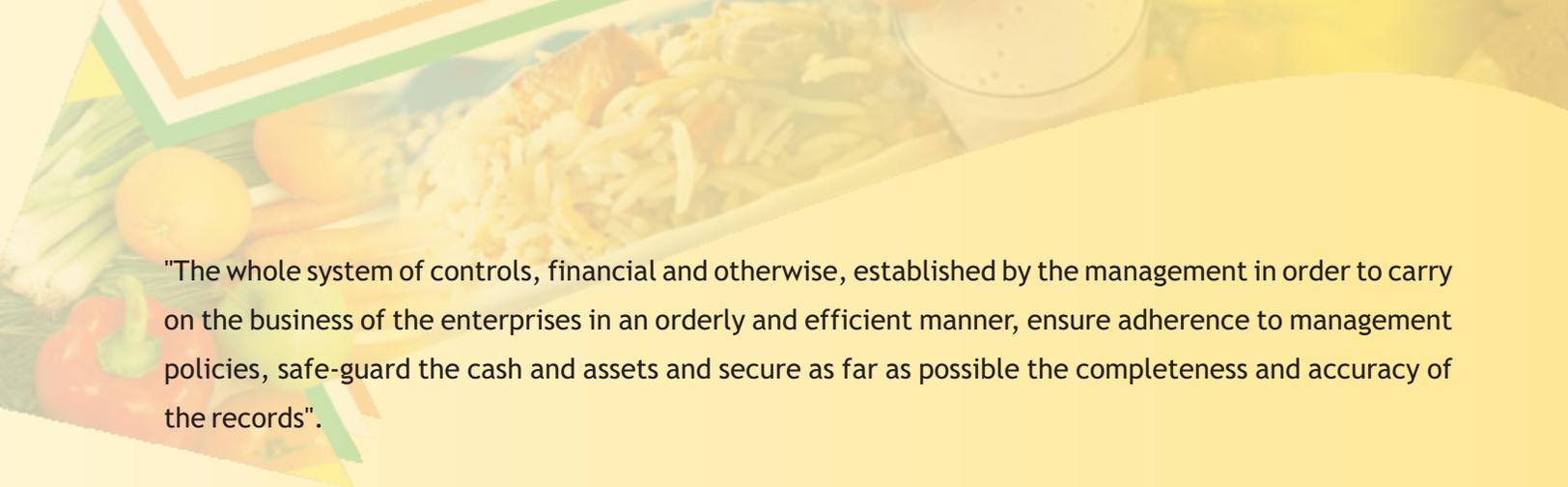
I. INTRODUCTION

Food and Beverage control can be defined as the guidance and regulation of cost and revenue of operating the catering activities in hotels, restaurants, clubs, bars, etc.

In large down town hotels, food and beverage sales often account for half of total revenue, some times it may be more than the half of total revenue, whereas, the catering of restaurant and bar sales constitutes 100 percentage of the revenue. The cost of food and beverage in the five star super deluxe hotels is usually 15 to 20% of the total sale. Even in smaller hotels and restaurants the food cost very seldom cross 50%. The system of control depends upon the total size of the revenue.

II. CONTROL OF CASH / TRAVELLERS CHEQUES AND CREDIT:

The control is a continuous process, Infact it is a part of routine in all types of organisations, whether small or big. The word control itself is disliked by one and all, nobody likes to be controlled by other no matter how small or big employee he may be. The control of both cash receipts and payments are important. The traveller's cheques are treated as cash. The guest en-cashing traveller's cheque must sign second time in front of cashier and the second signature must tally the first signature signed by the guest in front of the Bank who had issued the travellers cheques.



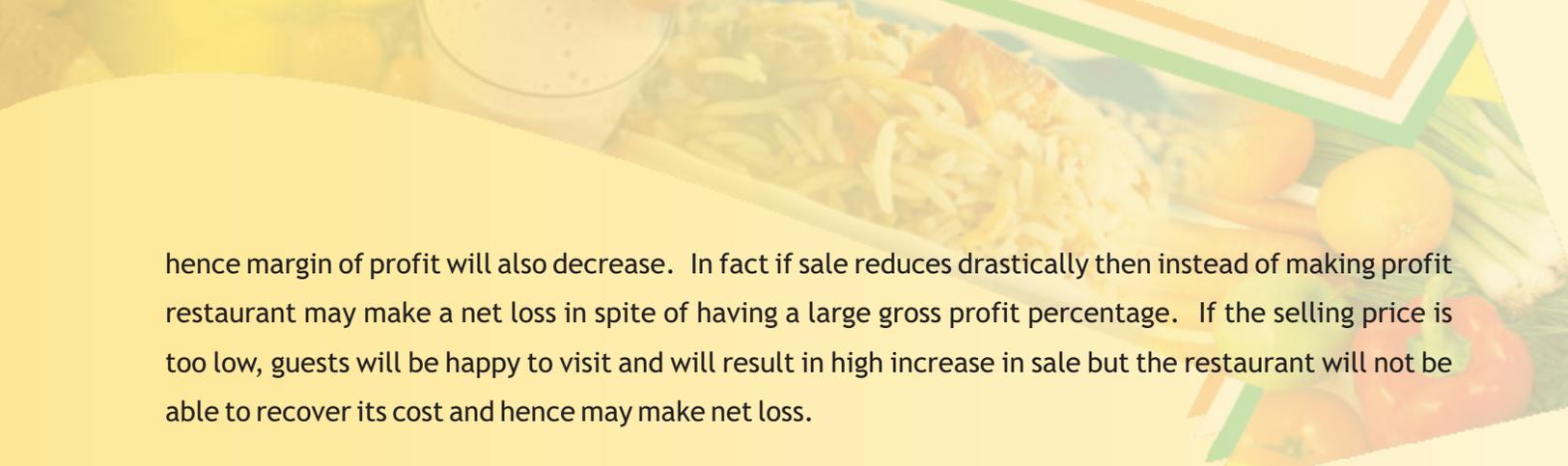
"The whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprises in an orderly and efficient manner, ensure adherence to management policies, safe-guard the cash and assets and secure as far as possible the completeness and accuracy of the records".

III. SCOPE OF THE CONTROL:

1. To check frauds and thefts
2. To safeguard the assets of the business from thefts and misuse (cutlery and small equipment).
3. To improve the efficiency.
4. To follow the policies of the management
5. To improve the quality.
6. To complete the records up to the moment.

The control is all the more important and of course difficult in hospitality industry. In normal business houses the sale is carried out for limited period of eight to ten hours a day and almost all the sale is made from a sale counter managed by the owner himself or by his confident. But in hotel industry the cash as well as credit sale is made from various outlets and that too twenty four hours a day and 365 days a year. Hotels sell different kind of food and beverage products, both produced at various kitchens of the hotel and procured from outside. We also sell various services like health club, swimming pool, beauty parlour, secretariat services, telephone services, travel services, etc. These sales are made to, both, in house guests and non-resident guests. Keeping in view the above facts, it becomes very important that we have an affective control over these sales outlets. Management ensures that no cash payment is received by an un-authorized person and a proper printed receipt is issued for cash receipts and recorded in the cash book or cash sheet. The cashiers of all other points of sales maintain sales summary sheet and deposit the cash to front office cashier after their shifts. The cash received is banked or deposited with an authorised person of the hotel against a proper receipt. It is not always possible to have a management eye watching cashiers and other staff members engaged in selling various services, presenting check (bill), settling bill and handling back the balance and receipts.

The selling prices for food and beverage products fixed have an impact on volume of sale and profit. If the prices fixed are too high then initially the sale may increase and hence profit will also increase but subsequently, guests will find it too expensive and less guests will visit, will result in decrease in sale and



hence margin of profit will also decrease. In fact if sale reduces drastically then instead of making profit restaurant may make a net loss in spite of having a large gross profit percentage. If the selling price is too low, guests will be happy to visit and will result in high increase in sale but the restaurant will not be able to recover its cost and hence may make net loss.

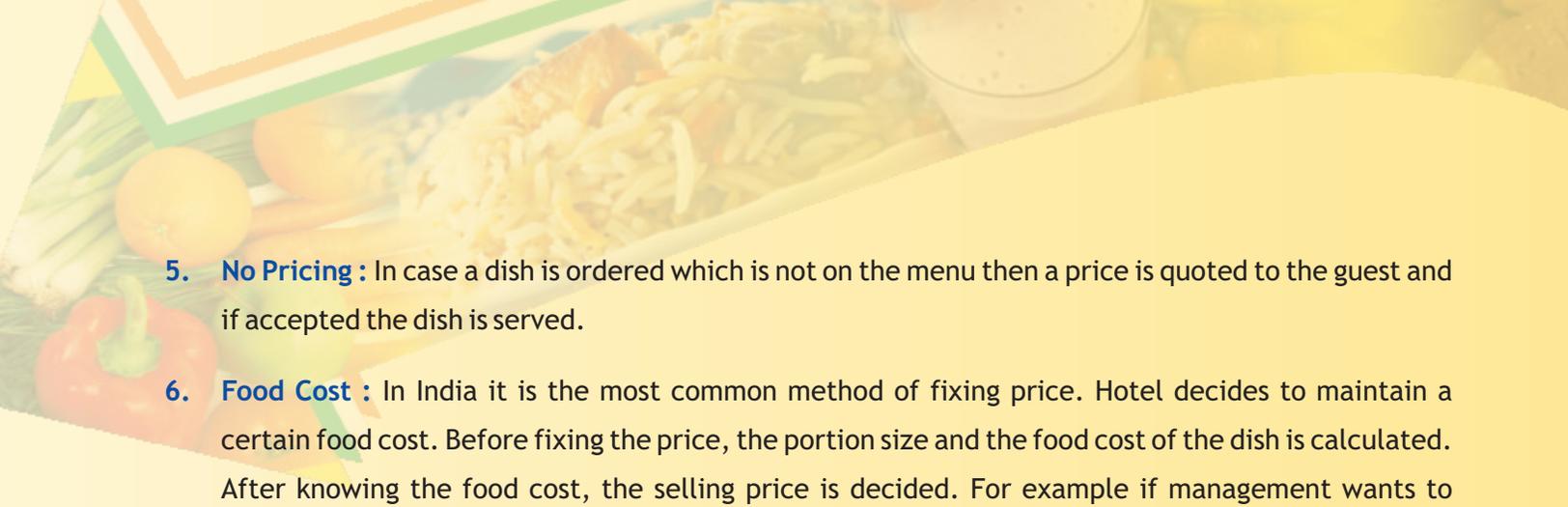
The pricing of menus is, 'art of pricing'. The successful management analyses the food cost and other overheads, the guests ability to pay for the menu and competitors menu pricing; before fixing the menu and its price. Usually menus are priced by General Manager, Chef, Food and Beverage Manager, Sales Manager, Purchase Manager. Each and every factor like food cost, raw material price, competitor's menu price, guest's ability to pay, etc. are considered while fixing the price.

IV. Pricing Methods:

The menu price fixed should be acceptable to hotel / restaurant and guest. By reducing the price hotel tries to attract more guests and hence try to increase the sale. The large sale reduces the fixed cost per guest and hence hotel makes profit in spite of having a low price. Some hotels may prefer to keep high price and look for high income guests, only those who can sell more per cover; in spite of having low sales, a hotel may still make profit. It is very difficult to fix the menu / dish price.

The following are the common pricing methods.

1. **Reasonable Price** : The manager or owner uses his own perspective in fixing the price of the menu / dish. The guests thinking are not considered even how this pricing will reflect on profit.
2. **Highest Price Guest can Pay** : The management anticipates what maximum a guest can pay. A slight reduction in the management's decision of the price is the final price. The reduction is done to give allowance for the mistakes made by management in judging the guest's ability to pay for a dish.
3. **Aggressive Selling** : A few dishes are priced aggressively low to attract the guests. The price of a few dishes may be as low as cost price or lower than the cost price. These few dishes prices are crowd / guest pullover. Management tries to recover this loss from the sale of other dishes and beverages. In other way the hotel tries to improve the sales mix.
4. **Trial and Error Method** : For fixing the menu price, the management follows the trial and error policy. A price is fixed and if the management is not satisfied with the price then the price is suitably changed till the most accepted price is derived.

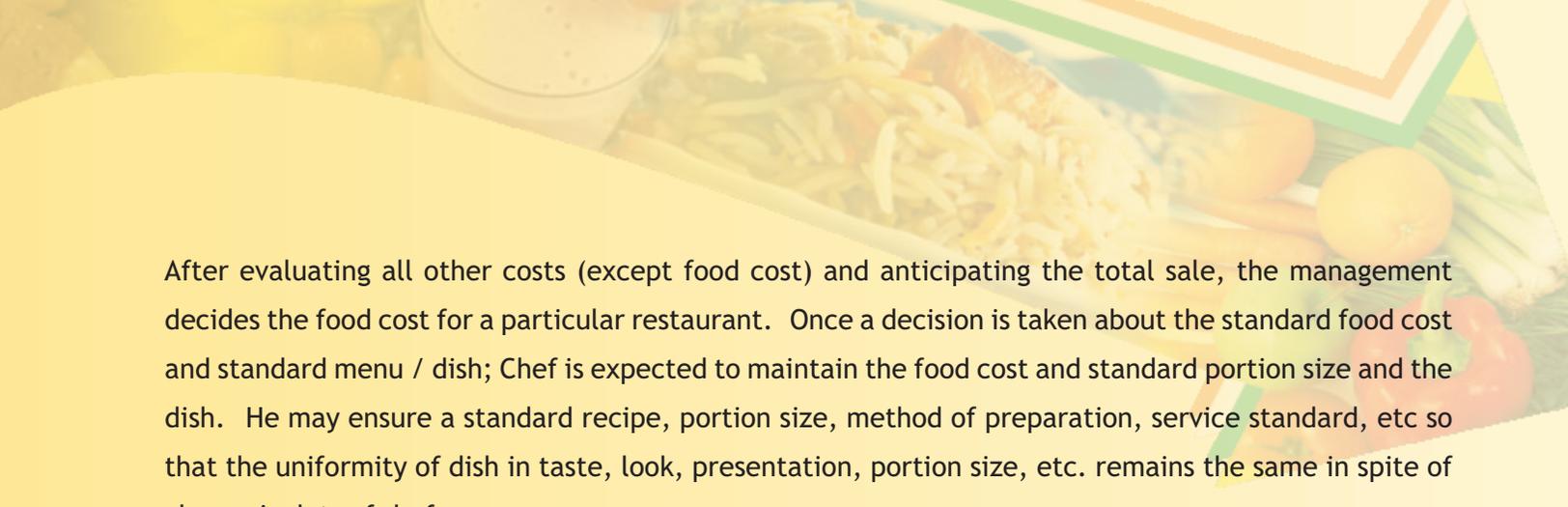
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5. **No Pricing :** In case a dish is ordered which is not on the menu then a price is quoted to the guest and if accepted the dish is served.
 6. **Food Cost :** In India it is the most common method of fixing price. Hotel decides to maintain a certain food cost. Before fixing the price, the portion size and the food cost of the dish is calculated. After knowing the food cost, the selling price is decided. For example if management wants to maintain a 30 percent food cost and the food cost of the dish is Rs. 15, it will be sold for Rs. 50.
 7. **Competitive Price :** The price fixed by the management is similar to the price by other similar hotels / restaurants. The management tries to control all costs (food cost / variable cost, semi variable cost and fixed cost).
 8. **Mark up Price :** This is applicable in case of products which are not prepared by the hotel / restaurant but are traded by the restaurant like cold aerated drinks, alcoholic drinks, cigarette, etc. Management decides to charge 300 percent more than the purchase price of the items.
 9. **The Ratio Price Method :** The previous year's food cost and selling price's ratio is analysed and management keeping that as a bench mark decides the selling price for future. While changing the price, the elasticity of demand should be studied. By increasing or reducing the price the affect of sale must be analysed and decided whether to change price or not if yes then how much so that it helps in improving the profitability.

V. **Competition and Selling Price:**

Competition refers to other hotels / restaurants that are trying to attract your customers. In case of service industry, like hours, the price alone does not attract the customers; it is the quality of food, service, portion size, environment, location, goodwill, etc. which are vital points considered by guests before visiting a hotel / restaurant. But if all other things are same then the restaurant selling food at lower price is patronised by the guests.

VI. **Importance of Costs in Pricing:**

Costs are a central element in the pricing decision. The costs are allocated to all outlets to know the total cost of each unit (restaurant). In case the cost can be directly and easily allocated to different units then there is no dispute among the unit heads. On the contrary, there are some costs which can not be easily allocated to different units. These costs are apportioned by various methods.



After evaluating all other costs (except food cost) and anticipating the total sale, the management decides the food cost for a particular restaurant. Once a decision is taken about the standard food cost and standard menu / dish; Chef is expected to maintain the food cost and standard portion size and the dish. He may ensure a standard recipe, portion size, method of preparation, service standard, etc so that the uniformity of dish in taste, look, presentation, portion size, etc. remains the same in spite of change in duty of chefs.

It is usually difficult to maintain the food cost for all individual dishes. In a same restaurant different dishes may have the different food cost but the kitchen / restaurant must maintain the standard food cost fixed for the kitchen / restaurant.

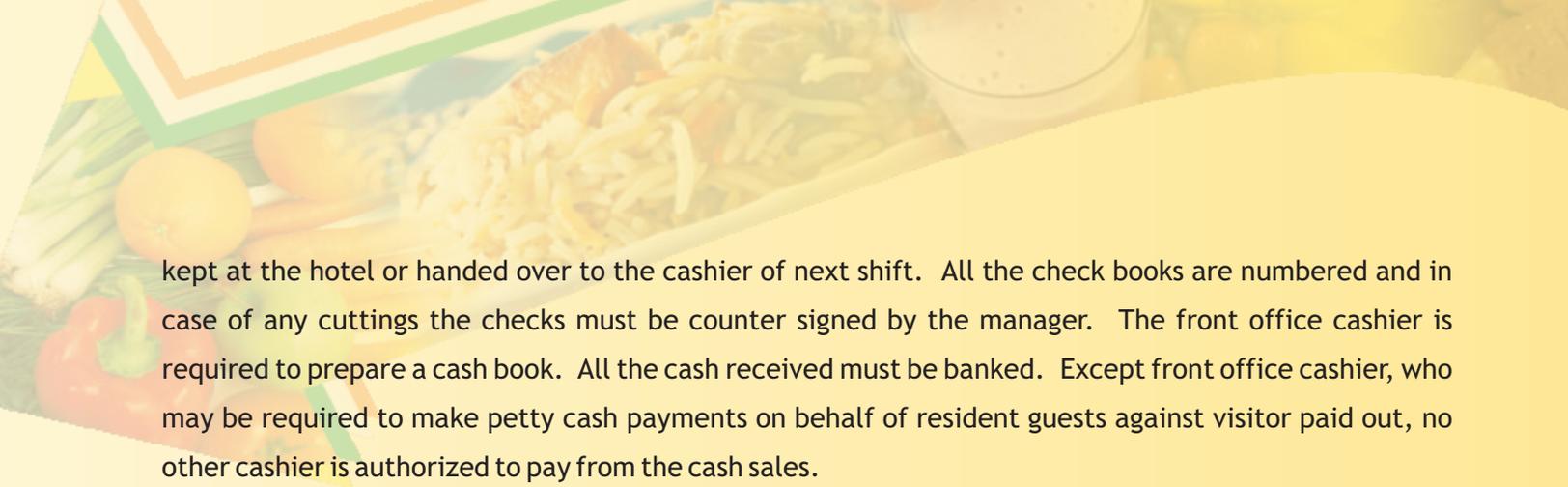
VII. Profit, Costs and Price:

Expected profit + Food Cost (Variable Cost) + Semi Variable Cost + Fixed Cost = Selling Price. Profit must be planned; costs must be identified and controlled; but these are only possible if sale budget is also met. Here students might feel why sale budget is to be met? The total fixed cost will remain same irrespective of the sale up to certain level. If the sale budget is not met then the fixed cost per cover or per dish will increase and the restaurant will make loss. On the contrary, if the actual sale is more then the budget sale then restaurant will make more profit then planned as the total fixed cost will remain same and due to increase in sale the fixed cost per cover / dish will reduce and hence restaurant will more profit then planned.

VIII. CASH CONTROL

As it has been already discussed in 'Restaurant Sales Control' that cash sales are made at various outlets throughout the day and night. A hotel may make a couple of millions of Rupees cash sale in a day. A cashier may be tempted to run away with the cash. To have an affective control of cash the hotel's management usually do not appoint a cashier unless and until they are very sure about his credentials and they take minimum of two references. Usually cashiers are rotated very regularly from one outlet to the other and head cashier keeps a watch on them. All the cash collected by cashier is deposited to the front office cashier along with sales summary sheet.

The interest amount given to cashier is checked quite regularly by the head cashier / accountant / control department. The cashiers are not allowed to keep interest money with them but it is deposited /



kept at the hotel or handed over to the cashier of next shift. All the check books are numbered and in case of any cuttings the checks must be counter signed by the manager. The front office cashier is required to prepare a cash book. All the cash received must be banked. Except front office cashier, who may be required to make petty cash payments on behalf of resident guests against visitor paid out, no other cashier is authorized to pay from the cash sales.

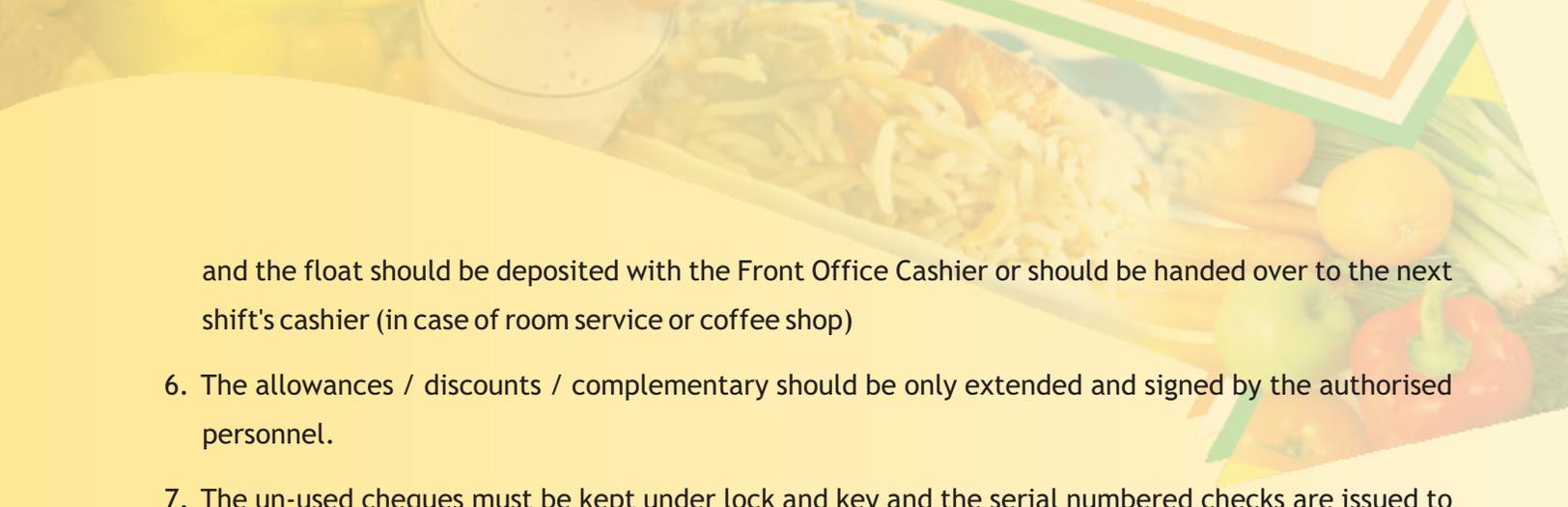
IX. CASH RECEIPTS AND PAYMENTS / DISBURSEMENTS:

It is very important to control the cash receipts and cash payments / disbursements. No doubt in hotel industry it is becoming more and more common to settle the bills through vouchers / credit facilities extended to regular customers and through credit or debit cards but still a good number of guests settle their bills in cash. Moreover, the cash is received through the day and night and at various cash counters spread in different parts of the hotel.

X. CASH RECEIPTS:

Cash receipts must be controlled from the point of sale till it is banked. The following steps are followed for its control :

1. Cheques/ Bills must be prepared for each cash receipt and a proper receipt must be handed over to the guest.
2. The Cheques/ Bills must be numbered and tearing, cutting or cancelling or check must be signed by an authorised manager.
3. All Cheques/ Bills must be entered in the Sales Summary Sheets.
4. The total cash received must be deposited in the bank immediately after the shift is over or instantly when there is cash more than the recommended cash in the cash chest. The cash should be deposited by each cashier him self or it should be deposited by the Front Office Cashier. But the Front Office Cashier must issue a receipt to each cashier on receiving the cash from them. The cash so received by Front Office Cashier must be shown in the Cash Book.
5. Each cashier should be given a float / imp rest for paying balance to guests or for en-cashing foreign currencies (Only Front Office Cashier is authorised to accept foreign currency from guests). The float so handed over to the cashiers must be checked both at the end of the shift and during the shift (surprise check). The cashier should not be allowed to keep the float with them after the shift is over



and the float should be deposited with the Front Office Cashier or should be handed over to the next shift's cashier (in case of room service or coffee shop)

6. The allowances / discounts / complementary should be only extended and signed by the authorised personnel.
7. The un-used cheques must be kept under lock and key and the serial numbered checks are issued to the cashiers against their signatures.

XI. CASH PAYMENTS / DISBURSEMENTS:

This includes control over purchases, expenses and salary payments. As far as possible the cash payments should not be encouraged. All payments must be made by cheques. As far as possible the hotel must avoid making cash payments, however, petty payments may be made, in cash by petty cashier. The cheque must be kept under lock and key and cheque payments must be made after verifying the bills, supply order, purchase order, invoice, store keeper's report, etc. Salary should be disbursed by making a direct payments to the employee's account opened in the hotel's bank. Before making the salary payments the attendance from the department and time office must be taken into account. For large amount cheques, if possible, two authorized persons must sign the cheque. The cash book must be kept ready up to moment and must be signed daily by an authorised person. The bank reconciliation statement must be prepared on weekly or fortnightly basis. Please also refer to cash book chapter of this book in Part A.

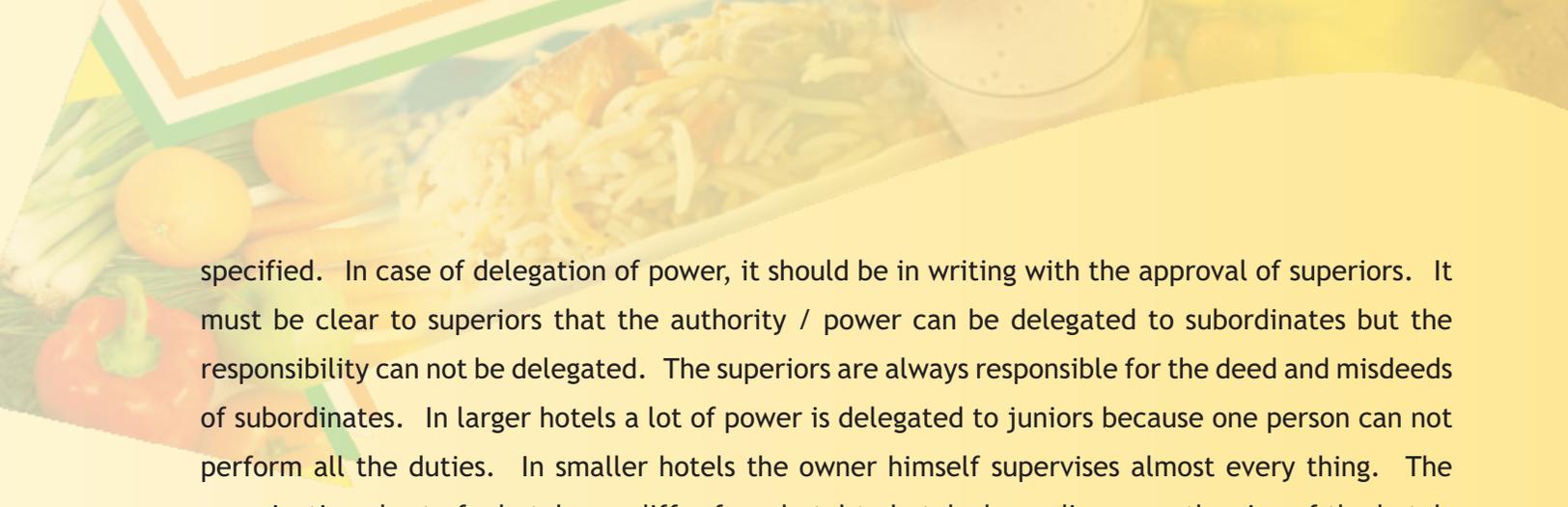
XII. TYPES OF INTERNAL CONTROL:

The following are the main types of internal control:

1. Organisation
2. Division of Duties
3. Physical Control
4. Supervision
5. Financial Accuracy.

1. Organisation:

The management must make the organization chart of all the departments. The authorities, responsibilities, reporting to, must be clearly identified; each job must be clearly described and



specified. In case of delegation of power, it should be in writing with the approval of superiors. It must be clear to superiors that the authority / power can be delegated to subordinates but the responsibility can not be delegated. The superiors are always responsible for the deed and misdeeds of subordinates. In larger hotels a lot of power is delegated to juniors because one person can not perform all the duties. In smaller hotels the owner himself supervises almost every thing. The organization chart of a hotel may differ from hotel to hotel, depending upon the size of the hotel, policy of the hotel, mechanical devices available, etc.

2. Division of Duties:

The duties among different employees must be divided to have an affective control; but in small hotels, the broad division of duties may not be possible. For example, in a large hotel the bill clerk and cashier can be separate person; this will have a control of one person over other and less chances of cash pilferage.

3. Physical Control:

In hotels the security is assigned to an outside agency so that security guards and hotel staff do not become friendly. All the departments, when not in operation, must be locked and key, the after sealing, must be kept with the security officer. The employees must use only staff gate for coming and leaving the hotel. This gate must be manned by a security officer round the clock. Each staff member must be checked physically to ensure that they are not taking away hotel's property, may be by mistake, like match boxes, hand towels, knife, etc. The stores must be locked after normal working hours and no unauthorized person should be allowed to enter. The cash book, keys, cheque books, etc. must be kept in safe custody of responsible person.

4. Supervision:

The supervisors must authorize / approve all the transactions of the hotel. All cutting / over writing must be counter signed. The power of the supervisors must be specified in writing to avoid confusion.

5. Financial Accuracy:

The totals, calculations, pricing of each bill must be checked for its accuracy. The over charging and under charging are very bad for the hotel. The bank account must be reconciled on weekly basis. The cheques/ Bills and K.O.T.'S must be numbered. At the end of every month ledgers must be balanced and trial balance prepared.

With the modern accounting techniques developed, the arithmetic accuracy is ensured by machines.

To ensure the affective internal control, the staff must be regularly trained. It is rightly said that training is a continuous process; every employee must be trained for a minimum of 100 hours in a year. The new employees must be imparted training before putting them on the actual job. The old staff knowledge must be updated and in case of shifting to new systems / methods the staff must be trained and motivated. The supervisors and management must ensure that the systems developed by the hotel must be followed by every one and this will always ensure the perfect internal control.

In hotels, a separate internal control department is made under the direct supervision of Chief Controller who reports to General Manager. The primary job of internal control is to help management discharge their responsibilities. The nature and extent of control will depend upon business to business. It will also depend upon nature, size and volume of transactions and the policy of the management.

In spite of the best efforts of management, supervisors and control department, it is never possible to eliminate pilferage altogether. Management always bears in mind the cost of control and the benefits derived from them. Like any other departments operation, internal control department's functions must be regularly reviewed to ensure its usefulness.

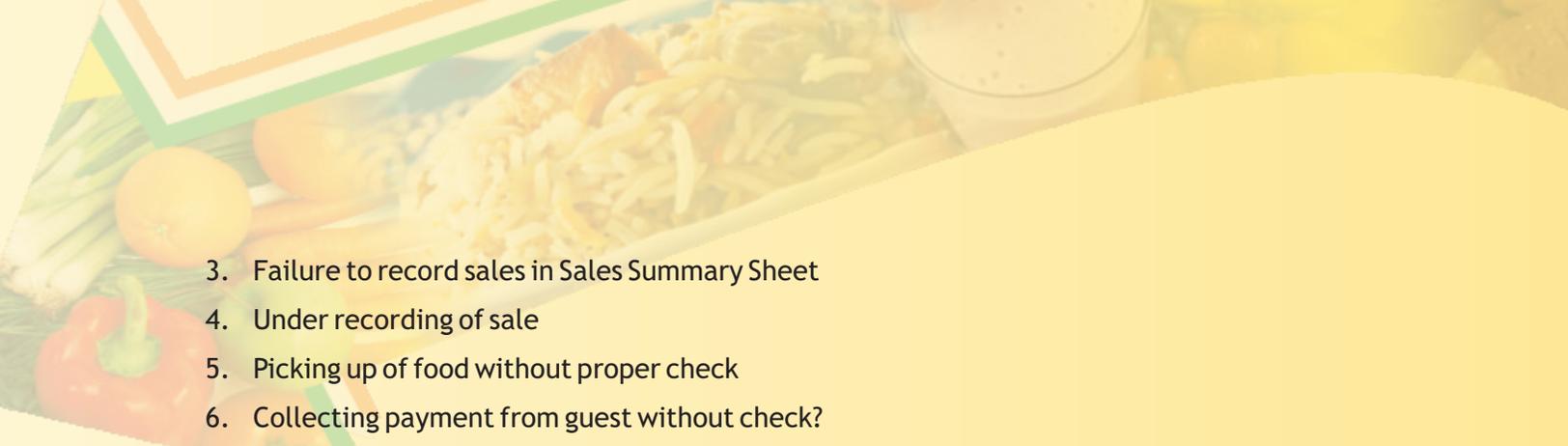
The following situations must be checked:

1. The staffs refuse transfer or promotion.
2. The staffs neither want weekly off nor leave.
3. The staffs have bad evils like gambling, loitering and spending heavily.
4. Close relation with suppliers.
5. Close friendship with cashiers, store keeper, kitchen / restaurant staff.
6. Staffs are very close to superiors or control department employees.

XIII Major Type of Frauds:

The internal control system is not only designed to prevent and detect fraud, but also to prevent and detect error which is usually more common than fraud. Though it is very difficult to list down all kinds of fraud, in fact every moment some where in the world, a new type of fraud takes place. Some of the common frauds are :

1. Failure to make K.O.T.
2. Failure to make Check?

- 
3. Failure to record sales in Sales Summary Sheet
 4. Under recording of sale
 5. Picking up of food without proper check
 6. Collecting payment from guest without check?
 7. Charging incorrect room rent
 8. Selling room without registration
 9. Payment of bill twice
 10. Receiving a bill without goods
 11. Receiving bills twice for one supply
 12. Receiving goods and bill without any purchase order
 13. Allowance or discount allowed without proper authorization
 14. Ghost pay rolls
 15. Full payment made for substandard goods received
 16. Stealing hotels inventory and assets

Control of Small Business / Hotel:

Usually the owner himself supervises the small number of employees and he has a thorough knowledge of the inventory and assets kept in the hotel. Moreover the quantity of inventories and assets are very limited.

The following steps are recommended for small hotels control.

1. Either use cash book, bill book or use machine operated cash register.
2. The double entry system of book-keeping should be followed.
3. The cash books bank column must be compared with pass book and bank reconciliation statement prepared on monthly basis.
4. The budget must be prepared and all actual figures must be compared with budgeted figures.
5. As far as possible, he must sign cheques himself after verifying the purchase order, invoice, etc.
6. All cuttings must be counter signed by him or by some one authorized by him.
7. Cash payments must be avoided as far as possible.

XIV. CONTROL OF CREDIT SALE AND CREDIT CARDS:

As it has been discussed that hotel extends credit to almost all resident guests whether they are

known or not. At the time of check-out the bill is presented for settlement. Guest can either settle the bill by paying in cash or he can pay through credit card or bill can be forwarded to travel agent, airlines, company for settlement. The bills which are not settled in cash are transferred to city ledger account / non-guest account.

The control of credit sale can be broadly divided into Residents and Non Residents. The control of credit sale has to be dealt with before check-in as a policy to whom to extend credit and to whom not to extend credit and if extend credit then up to what amount the credit can be extended, at the time of check-in, during the stay, check-out and post check-out. If hotel makes mistake at any time of the guest cycle then it becomes difficult to control the credit sale. Hotel makes a policy that up to what amount the credit can be extended to all residents. If the balance due increases the limit recommended by the hotel then guest is requested to pay an advance towards their account. The front office keeps a check on the outstanding of each guest residing in the hotel. As soon as the credit limit of any guest crosses its house limit / credit limit; the hotel makes a request through a printed letter requesting him to deposit the cash to hotel's front office. The letter in hotel's sealed envelope is kept at the key and mail rack and when guest comes to reception then this message is handed over to him. Though the letter is very polite but still at times guests feel offended; but still it is recommended to request guest to deposit cash because if a guest skips without settling the bill then the amount lost will be very large. Specimen of the letter written to guest is here below.

REQUEST TO DEPOSIT CASH

ABC HOTEL

SHIMLA

Date

Name of the guest.....

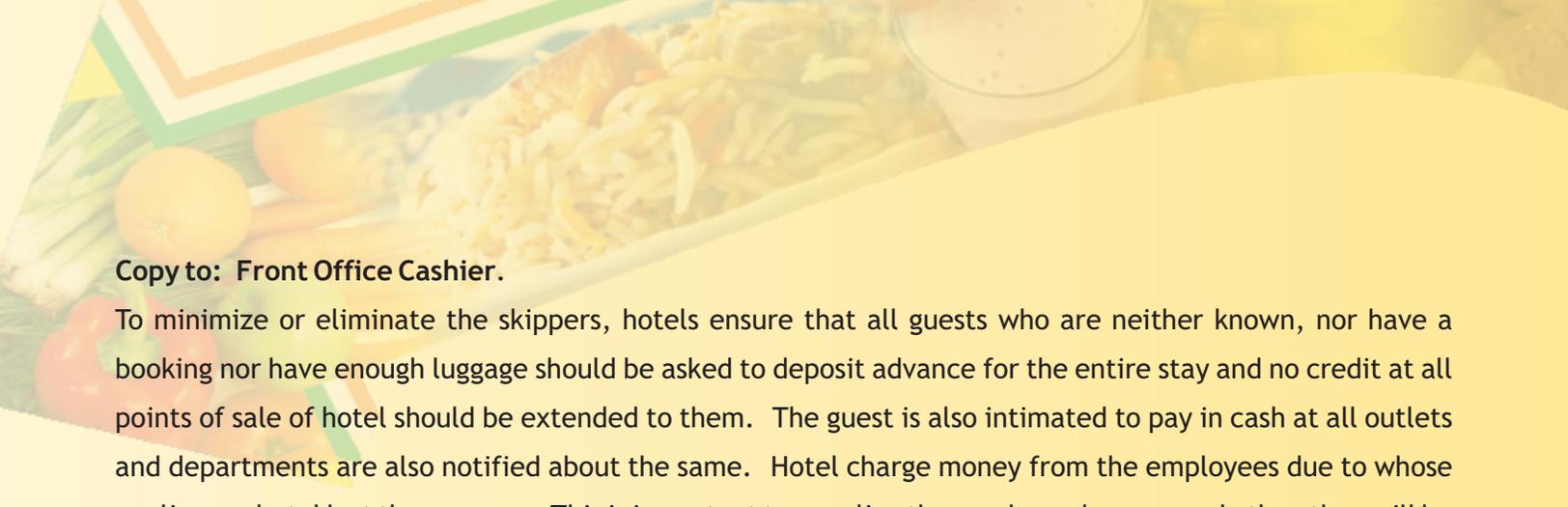
Room No.

Sir/Madam as per management policy the maximum credit can be extended up to Rs. 50,000/-. Your bill has crossed the limit and the present balance due from you is Rs., Against bill no.....

You are requested to contact Cashier at Front Office.

Assuring you our best services

Manager Credit / Bills



Copy to: Front Office Cashier.

To minimize or eliminate the skippers, hotels ensure that all guests who are neither known, nor have a booking nor have enough luggage should be asked to deposit advance for the entire stay and no credit at all points of sale of hotel should be extended to them. The guest is also intimated to pay in cash at all outlets and departments are also notified about the same. Hotel charge money from the employees due to whose negligence hotel lost the revenue. This is important to penalize the employee because only then they will be more vigilant. But in case management feels that it is beyond employees control then the money lost due to any reason may be waived off and declared as bad debt. The bell boys are not allowed to take the guest's luggage to waiting car / cab till they get clearance from cashier. The luggage is kept in the lobby till they receive a luggage pass from the cashier. The luggage pass is a clearance for bell boy to clear his luggage s the bill has been settled.

The residents while checking out are only allowed to sign and transfer the outstanding bills to city ledger / non-guest accounts, if they are holding a proper authorization. Usually hotels credit manager with consultation to General Manager, Sales Manager, etc. decide to whom to extend credit and to whom not to extend credit. Only those airlines, travel agents, companies, etc. are extended credit who have been authorized and that too if guests are holding proper authorization from their respective companies; airlines, travel agents, etc. Hotel extends credit only if the companies make payments immediately on the presentation of bills. Hotels also keep in mind the quantum of business (room nights) offered by the company, airline, travel agent, etc. The companies giving more room nights business are not only extended credit facility but are also offered special tariff. Hotel extends credit facilities to only those credit card holders whose membership hotel has acquired. The credit cards which are acceptable are listed at a prominent place near reception and at other public areas, guest's rooms and even lift.

At the time of check-out the balance carried forward is made nil and the amount due is shown in the ledger column of guest weekly bill / folio. Front office sends the signed bill, vouchers, authorization for billing instructions, etc. to the accounts department. Account department maintains separate ledger for all the companies, travel agents, credit cards, airlines, etc. The manager accounts keep a watch on all out standings. The bills are sending for settlement to companies as per pre-decided norms. The accounts department maintains account aging. It means he keeps a record that for how many months the amount was not settled.

XV. ACCOUNT AGING:

The bills are normally paid according to the hotel's contractual agreement with the companies, credit card companies, airlines, travel agents, etc. The period between billing and payment ranges from instantly to one month, two months or even more. Factors that affect the duration of period, the quantum of business contractual agreement, quantum of vouchers, frequency of mailing bills, etc. If bills are settled within one month then it is considered satisfactory. In case of bills are not settled within the period as per contractual agreement then the hotels should establish methods for tracking these bills. The practice of tracking past due accounts is referred to as account aging.

At large hotels the account manager typically monitors account aging. In small hotels, the proprietor himself or a night auditor looks after accounts aging. An account aging sheet shows that which account has not been collected and from how many months. In most of the hotels if bills are collected within one month then it is considered as current and only those accounts which are due more than one month are considered as over due. All bills which are over due for more than two months must be brought to the notice of the Manager Credit and the General Manager. Specimen of aged accounts receivable report is given below.

AGED ACCOUNTS RECEIVABLE REPORT
ABC HOTEL
SHIMLA

Dated

PARTICULARS	CURRENT	ONE MONTH	TWO MONTHS	MORE THEN TWO MONTHS	TOTAL
X COMPANY	20,000	17000			37000
A COMPANY		30000		20000	50000
T COMPNY			30000		30000
TOTAL	20,000	47000	30000	20000	117000

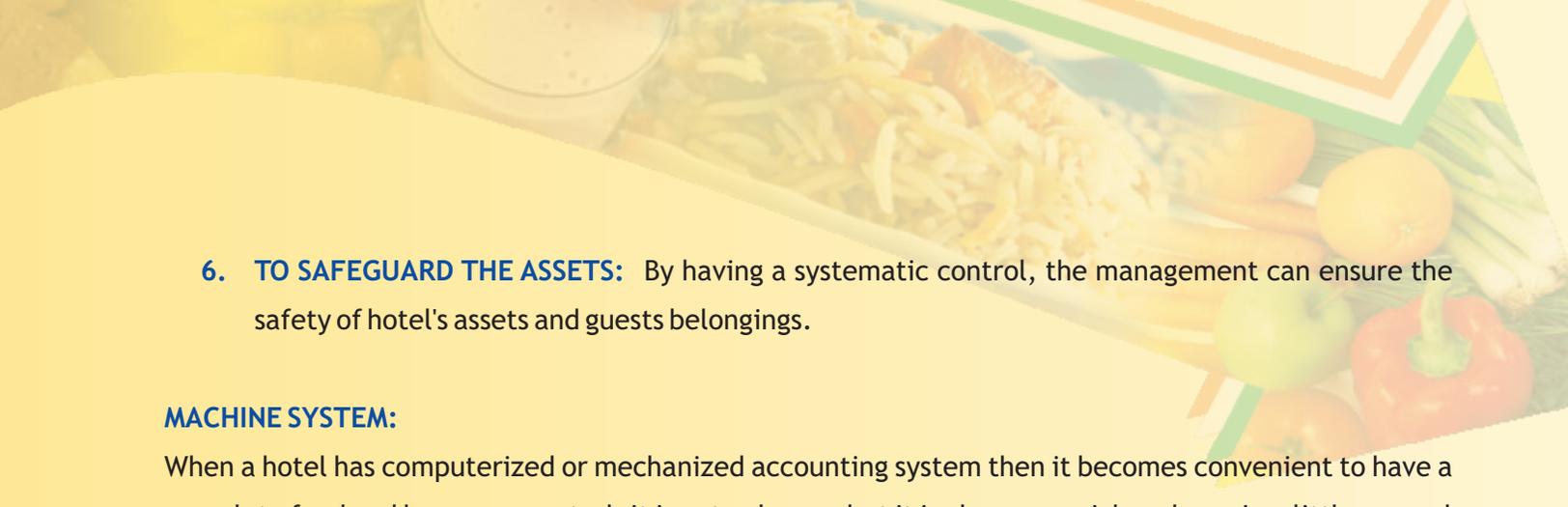
Signature of Accounts Manager



XVI. OBJECTIVES OF SALES CONTROL:

The following are the objectives of sales control:

- 1. ANALYSIS OF INCOME AND EXPENDITURE:** The revenue analysis is done for each individual selling outlet. The sales and sales mix is analysed and compared with the budgeted figures and the previous year's figures. The food cost, labour cost and over heads are also analysed and compared to know the efficiency of the individual restaurants / bars. The gross profit, departmental profit and net profit of each individual restaurant / bar is evaluated to know the performance of managers and other supporting staff.
- 2. STANDARDS:** Each hotel maintains its own standard regarding service, presentation, recipe, etc. No matter how experienced or qualified a person may be, he / she is required to undergo induction and is explained about the management's policy. These are usually in black and white and a copy of it is always available for staff to refer. The control helps management to ensure that the standards are being strictly followed by the service as well as production staff and no deviation, no matter how small it may be, is tolerated.
- 3. PRICING:** This is an important objective of restaurant and bar's control and provides a sound basis for menu pricing including quotations for special functions. It is therefore, important to determine the menu and dishes prices in the light of accurate food and beverage cost, over heads, labour cost, etc. While fixing the price it is important to refer to competitor's price. Some organizations prefer to charge some dishes at a very competitive price and these are advertised to attract the customers. Though these dishes may have a high food cost but the over all sales mix will have the pre determined food cost.
- 4. CHECK THE FRAUDS:** The control system should be efficient to minimize the probabilities of fraud.
- 5. MANAGEMENT INFORMATION:** The management gets various information regarding standard of service, new method devised by employees for fraud, new changes required in the standard keeping in view of the guests demands and competitors standard. The timely motivation, training of staff, changing menus, prices, etc. help management in improving the guests and staffs satisfaction and having better revenue and profits.

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6. **TO SAFEGUARD THE ASSETS:** By having a systematic control, the management can ensure the safety of hotel's assets and guests belongings.

MACHINE SYSTEM:

When a hotel has computerized or mechanized accounting system then it becomes convenient to have a complete food and beverage control. It is not only easy but it is also very quick and requires little manual handling. In fact, most of the information can be arrived at, by just directing a command to the machine. Semi automated hotels that allow guests to charge food and beverage purchases to their rooms use an account posting machine to post, monitor, and balance these charges. A posting machine normally provide.

1. A standardized means of recording transactions
2. A legible guest account statement
3. A basis for cash and deferred payment management
4. An analysis of departmental sales activity
5. An audit trail of charge purchase transactions.

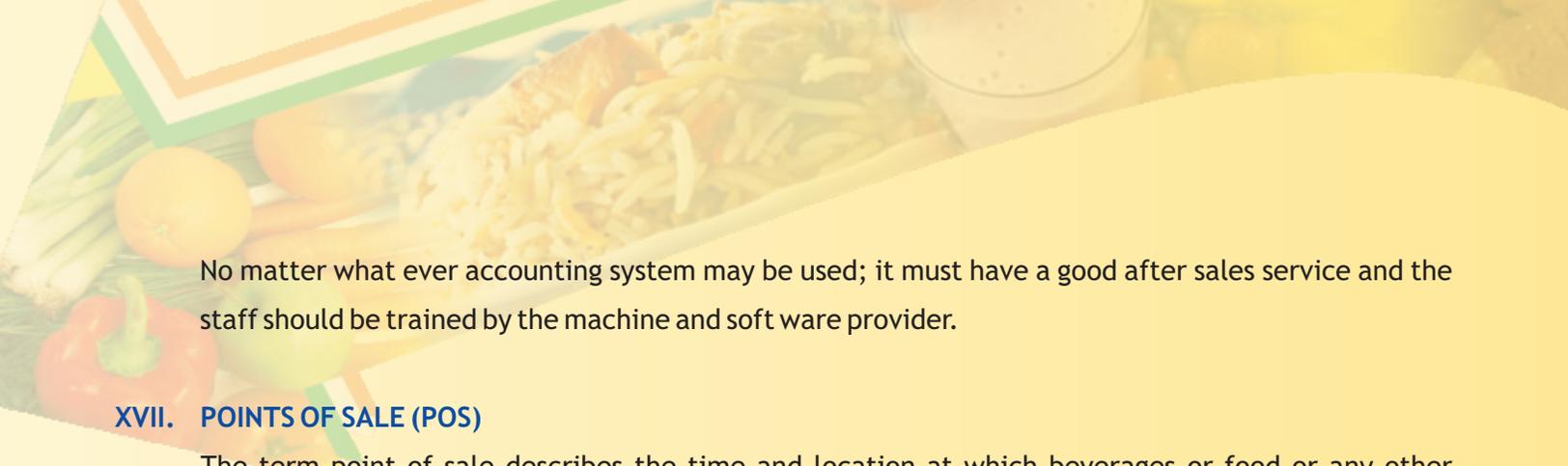
In a semi automated machine, the account posting machine should be located near the front office folio try and voucher rack. Posting machines have presented several advantages and disadvantages to front office operations.

1. One of the main advantages is that the guest's copy of the folio is printed and not handwritten.
2. The machines also have built in tabulation devices that allow management to systematically audit current charge postings.
3. Posting machines update account balances after each posting.
4. Posting machines may be cumbersome, prone to error, and difficult to operate.

Although a semi automated posting procedure is more efficient than a manual posting procedure, it still may not be very fast.

Fully automated hotels do not use account posting machines since their system relies on electronic folios, not printed copies. The increasing popularity of competitively priced computer based machines is signalling the demise of account posting machines.

Most commonly used machines in India are Electronic Cash Register (ECR) and National Cash Register (NCR). A software as per the needs of the hotel / restaurant / bar can also be developed and installed.



No matter what ever accounting system may be used; it must have a good after sales service and the staff should be trained by the machine and soft ware provider.

XVII. POINTS OF SALE (POS)

The term point of sale describes the time and location at which beverages or food or any other services are provided. Any hotel department that collects revenues for its beverages / food / services is considered a revenue centre / Point of Sale. Large hotels may have many points of sale like bars, restaurant, swimming pool, health club, room service, banquets, conferences, etc. The accounting system adopted by the hotel must ensure that all charged vouchers are debited to the hotel guests accounts and non-guest accounts.

Guests may avail beverages, food and other services at various points of sale and hotel requires a complete internal accounting system to ensure proper posting and documentation of sales activities. It is explained with the flow of information that results when a guest charges a beverage purchase to his room account. A computerized point of sale (POS) system may allow remoter terminals at the points of sale to communicate directly with a front office computer system. Automated POS system may significantly reduce the amount of time required to post charge beverage to the guest folios, the number of times each piece of data must be handled, and the number of posting errors and after departure charge. This automatic method of posting is done by the bar cashier himself. He charges of the beverages to the guests room account on his machine and automatically it is posted to the guest's folio and to the visitor's tabular ledger. There is no probability of any delay in posting. The voucher is send to front office through 'pneumatic tube'.

BAR BILL CHARGED TO A ROOM ACCOUNT

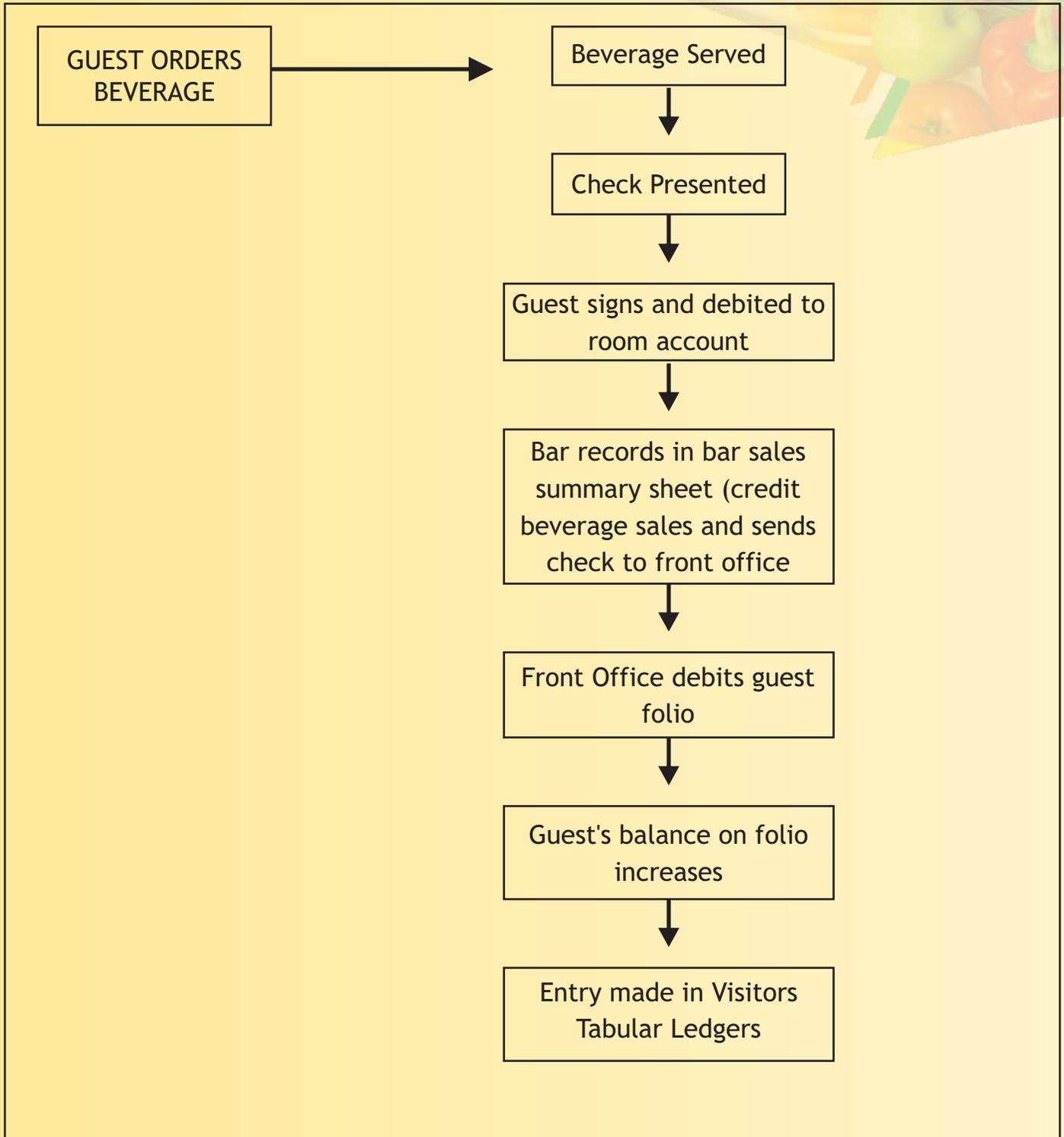
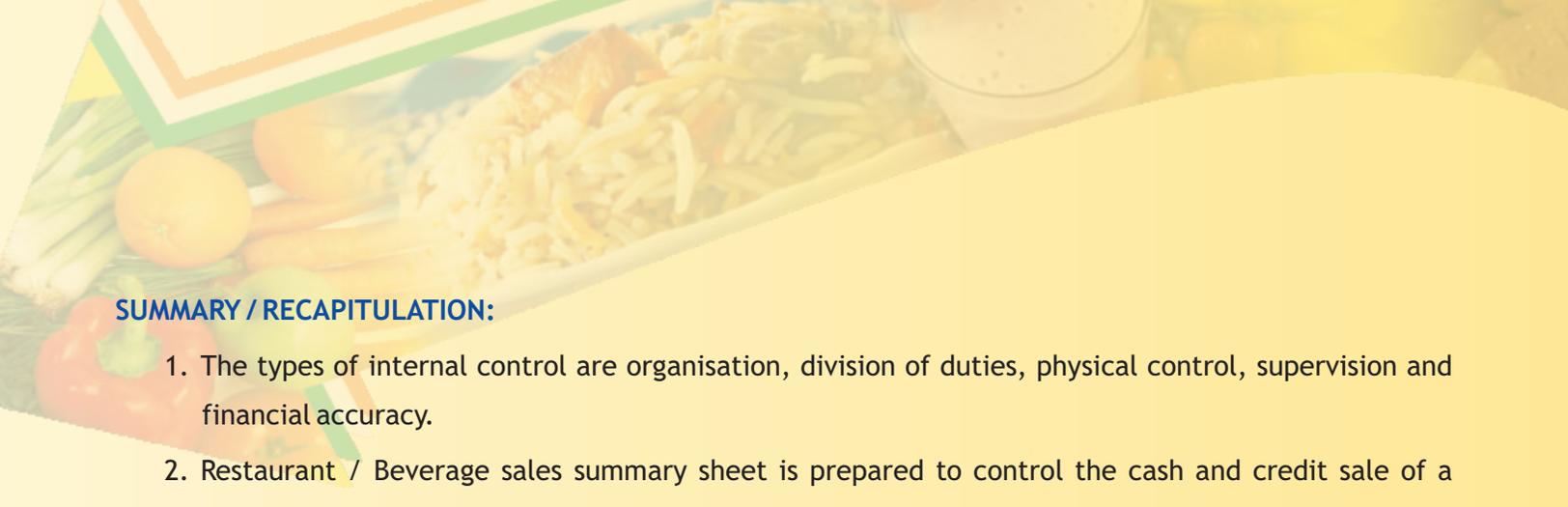


Fig.1



SUMMARY / RECAPITULATION:

1. The types of internal control are organisation, division of duties, physical control, supervision and financial accuracy.
2. Restaurant / Beverage sales summary sheet is prepared to control the cash and credit sale of a restaurant / bar.
3. Account aging means that for how long the payments have not been received from our debtors.

ANSWER THE QUESTIONS:

Q1. Fill in the blanks:

- a) edible or usable part of a commodity available after preparation or preparation and cooking.
- b)factual statement describing a job in a precise manner.
- c), and..... are the behaviours of cost.
- d) Gross Profit = Total Sales -
- e)is a point where there is no profit or loss.

Q2. What is price? What are the different methods of fixing price in a restaurant?

Q3. Write short notes on (a) Importance of Cost (b) Competition and selling price.

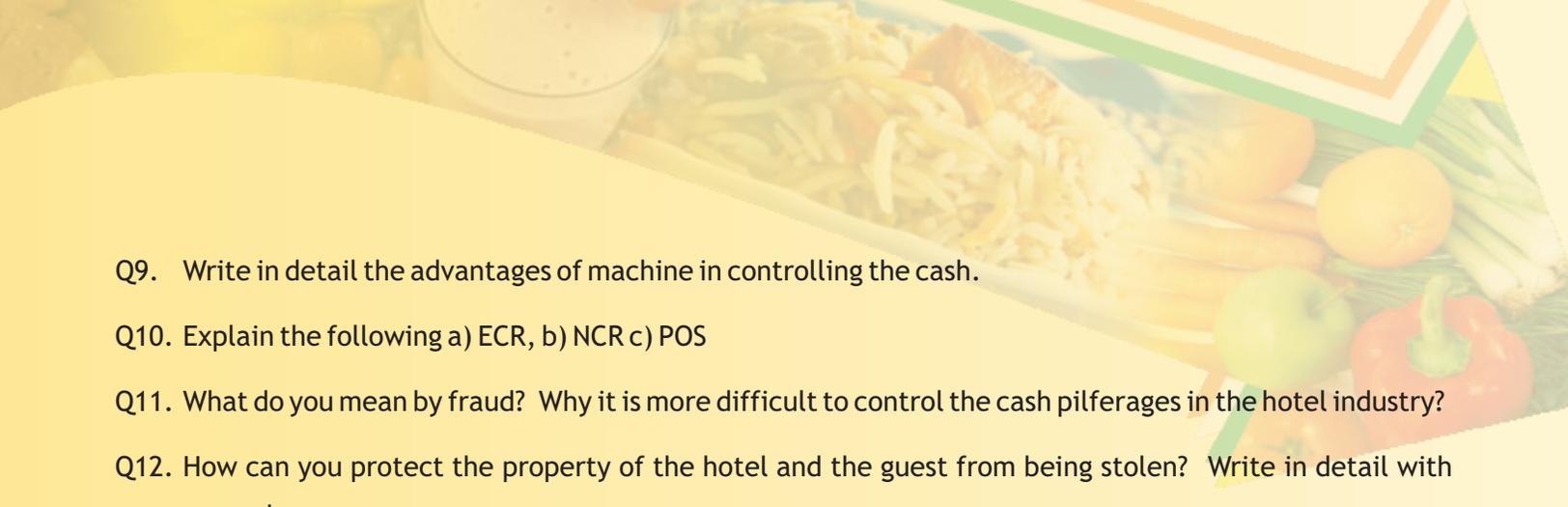
Q4. Why it is more important to control Cash receipts and payment in the hotel industry? How will you control sales in a small hotel?

Q5. What are the major type of frauds? Explain.

Q6. What is the importance of internal control? Write in detail various types of internal control.

Q7. How restaurant sales summary sheet helps in controlling and evaluating restaurant sale? Explain

Q8. Draw the Proforme of Restaurant Sales Summary Sheet. What are the advantages of making restaurant sales summary sheet?



Q9. Write in detail the advantages of machine in controlling the cash.

Q10. Explain the following a) ECR, b) NCR c) POS

Q11. What do you mean by fraud? Why it is more difficult to control the cash pilferages in the hotel industry?

Q12. How can you protect the property of the hotel and the guest from being stolen? Write in detail with examples.





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