

UNIT 5

CONTROL

FOOD COST CONTROL

Food cost control is an exercise carried by catering establishments like restaurants, hotels, cafes, food chains, to adhere to pre-determined objectives of the unit. It is basically to minimize cost to maximize profit.

It is different from other establishments because it concentrates more on material cost rather than labor cost and overhead cost which are more or less fixed and considered as uncontrollable as compared to materials(food)cost.

OBJECTIVES OF FOOD COST CONTROL

The single most important element of cost ,in a catering establishments ,is food cost be it for welfare catering or profitability. Thus, maintenance of food cost is of utmost importance to maintain a pre-determined standard food cost. The main objectives of food cost are as under,

1. To establish standard operating procedures.
2. For menu pricing and quotations for banquets, outdoor catering etc.
3. Prevention of wastage of raw material and inefficiencies in processing, labour, overhead costs, time etc.
4. To prevent frauds and theft by staff.
5. To generate management information/records.
6. Establishing standards
7. Analysis of income and expenditure
8. Cost analysis
9. Preparing budget
10. To take corrective actions to improve the inefficiencies, if any.

HOW TO CONTROL FOOD COST IN A CATERING ESTABLISHMENT?

1. INVENTORY-Track and Manage Inventory On Daily Basis,

Most essential part of food cost control is the daily tracking of Stock-In and Stock-Out and the actual consumption of materials throughout the day. Monitoring the Variance between the Ideal Stock and actual physical stock helps in identification, if too much wastage is happening at your restaurant.

A Variance of 3-5% is standard; however, anything above that means that too much wastage. May be occurring at your restaurant. Under stocking and over stocking or over-ordering or under-ordering can be prevented ultimately preventing wastage and fraud.

2. PURCHASING ON CREDIT-Raw materials can be purchased on credit

Purchasing the raw materials on credit allows first running the establishment, generating revenue, and then paying off the credit for the money made. This minimizes cash transaction. Since the cost of material is to be after revenue earned, it becomes safe tool of controlling cost. However, ground rules of credit purchase should be very clear and adhered to.

3. YIELD MANAGEMENT-Analyzing stock requirements through yield management

If the raw material is purchased according to the yield, yield management becomes an integral part of food cost control as it gives an idea of how much quantity of raw materials would be used to prepare a particular food item. The raw materials are purchased keeping the yields in mind.

4. PORTION CONTROL-Wastage can be controlled through portion control.

Portion control is the process of determining that how much food is to be served to the guest according to the menu price. This tool prevents over production and controls cost of food at various levels namely purchasing, production and serving. Portion control equipments like scoops, ladle, bowl, jigger etc. and portion size are important tools for controlling food cost.

5. CONTROLLING THEFTS AND PILFERAGES-

There are many ways in which internal thefts happen in catering establishments, and owners are not able to find where the theft is occurring. For example, dishonest staff members can alter the number of sales that happened on a particular day and pocket the billed amount for themselves, or keep certain inventory items for themselves. To control we can assign roles and permissions for each activity. We can also keep a strict view of the daily reports.

6. REPORTS-Generating daily and weekly reports

By keeping track of the movement of material from purchasing to production and by generating relevant reports regularly, food cost control can be exercised. Areas of revenue leakage can also

be identified. For example purchase-sales report or monthly sales reports are important reports to control food cost.

Essential Food Cost Formulas

1. TOTAL COST = Total Food Cost + Total Labour Cost + Total Overhead Cost
2. NET LOSS = Total Cost - Total Sale
3. NET PROFIT = Total Sale - Total Cost
4. GROSS PROFIT = Total Sale - Total Food Cost
5. GROSS PROFIT PERCENTAGE = $\text{Gross Profit} \times 100 / \text{Total sale}$
6. FOOD COST = Total Food Cost / Total Sale
7. FOOD COST PERCENTAGE = $\text{Food Cost} \times 100 / \text{Total Sale}$

LABOUR COST CONTROL

Labor Cost

It is the total labor cost calculated as basic pay/wages/salaries and the additional benefits given to employees

Labor cost control

It is a process by which managers direct and control employees to obtain desired results from employees at an appropriate cost.

Labor Cost Control Methods

1. Cross Training The Staff
2. Conducting Staff Audits
3. Precise Scheduling
4. Avoiding Over Staffing

OVERHEAD COST CONTROL

Overhead Cost

Overhead cost is any expense incurred to support the business while not being directly related to a specific product or service.

Overhead Cost Control Methods

1. Decreasing Working Capital
2. Implementing Total Quality Management
3. Controlling Sales Costs
4. Studying Maintenance Costs
5. Decreasing Transportation Expenses

MISCELLANEOUS COST CONTROL

Miscellaneous cost examples include clothes, a computer, equipment, a work uniform and work boots, with some exceptions. Miscellaneous expenses are defined by the IRS as any write off that doesn't fit into one of their tax categories. Small business owners can claim these expenses to reduce their taxable income. Controlling the cost of such items by various means is called Miscellaneous Cost Control