

Essential Financial Techniques for Hospitality Managers

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 Published by Goodfellow Publishers Limited, Woodeaton, Oxford, OX3 9TJ
<http://www.goodfellowpublishers.com>

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Design and setting by P.K. McBride

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Planning and monitoring usage

- Features of raw materials
- Recipe costing
- Standard costing
- Standard costing for payroll
- sales variances



Introduction

This chapter aims to show how costs can be planned and their usage controlled through 'standard costing'. In Chapter 4 we looked at the monitoring of costs and in Chapter 5 at pricing. Here we will consider how to plan spending the correct amount on raw materials. This can be fairly complex in terms of recipes, and a loss of standards can easily cause significant cost variances.

We will then look at identifying deviations from these standards – what is due to variances in price, and what is due to variances in quantity used. We will also consider the specific problems of food and beverage materials, which can cause them to be so difficult to manage.

Standard costing techniques can also be used in other areas. We discussed the management of labour cost earlier, but you can also use the technique to monitor labour cost where a flexible workforce is employed and where productivity is important to the profitability of the business. A further use for the technique is in identifying variations in revenue and considering whether these differences are due to volume or price (or both).

By the end of this chapter you will, therefore, be able to:

- Identify the features of food and beverage raw materials that affect their controllability
- Discuss briefly the process for costing recipes
- Calculate variances according to volume and price
- Use the procedure for labour and other cost variances
- Identify differences in revenues, also due to volume and price.

Features of raw materials

We will first discuss the features of food and beverage that affect the way they are used. Although concentrating on food, many of these are also relevant for beverage.

Perishability

Food is very perishable, particularly if you use a lot of fresh produce (frozen and tinned obviously last longer). Once cooked, health and safety requirements mean that it can be fit for consumption for only one day, and it can be difficult to recycle afterwards. Menus are often designed so that food is prepared to order that can minimise this problem, but other types of facility rely on buffet-style service. Here are some examples:

Chapter extract

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