

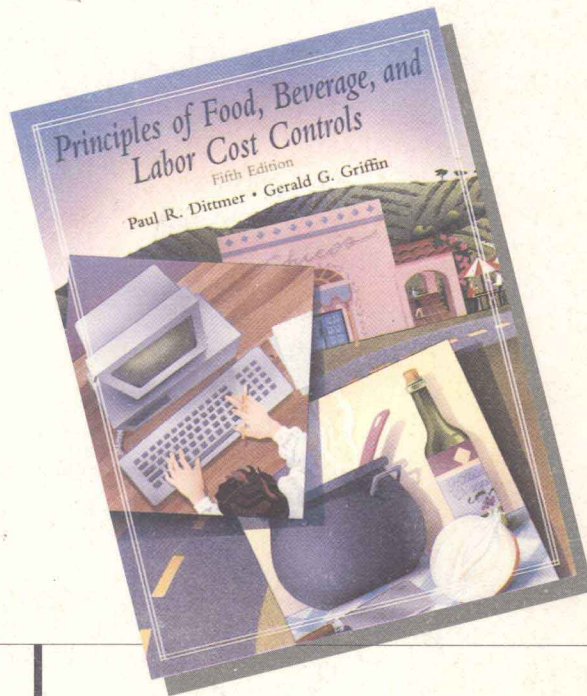
**Professional Management Development Program**

The Educational Foundation of

The National Restaurant Association

**ProMgmt.**

**Student Workbook**



## Controlling Costs In Food Service

**FIFTH EDITION**

**PrC=Mgmt.**

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# Controlling Costs In Food Service

FIFTH EDITION

**Student Workbook**

National Restaurant Association

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THE EDUCATIONAL FOUNDATION 

This student workbook is designed to be used with the textbook, *Principles of Food, Beverage, and Labor Cost Controls, Fifth Edition* by Paul R. Dittmer and Gerald G. Griffin, published by Van Nostrand Reinhold, 1994.

To order materials for this course, call The Educational Foundation at 800/765-2122.

Certificate Course Code: C114

Student Workbook (purchased separately) Code: S114

Instructor's Guide Code: I114

To preview materials for this course, call The Educational Foundation for an Instructor Review Kit, including the course textbook, Instructor's Guide, and Student Workbook.

Instructor Review Kit Code: R114

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# Introduction

*Controlling Costs in Food Service, Fifth Edition* is designed to teach future foodservice managers the necessity of controlling costs in all facets of an operation. Cost control is vitally important in order for the operation to maximize profits. Future managers will learn about the basic framework of food, beverage, and labor cost control, which they can then adapt to the needs of their own operation.

The course begins with an overview of food, beverage, and labor cost control, and then looks in detail at food costs, and controlling the operation and sales. Beverage costs, operations, and sales are covered next. The course concludes with a discussion of labor cost control.

## **How to Work with The Educational Foundation**

### **Home study students:**

- Complete the student registration form located on the inside back cover of this manual.
- Return the registration form to The Educational Foundation of the National Restaurant Association.

### **Students who are part of a group with an instructor:**

- Complete the registration form and give it to your instructor, who will forward it to The Educational Foundation.

Every student registered with The Educational Foundation will receive a student number. Please make a record of it; this number will identify you during your present and future coursework with The Educational Foundation.

All students who meet the requirements of the course—completing all student workbook exercises and receiving a passing score on the final examination—will be awarded a certificate of completion.

## Course Materials

This course consists of the text, *Principles of Food, Beverage, and Labor Cost Controls, Fifth Edition* by Paul R. Dittmer and Gerald G. Griffin, the Student Workbook, and a final examination. The examination is the final section of your course and is sent to a proctor (home study students) or an instructor (group study students) for administration, then returned to The Educational Foundation for grading.

### Each lesson consists of:

- Student objectives
- Reading assignment
- Chapter exercises

### At the end of the Workbook you will find:

- A Study Outline of the textbook
- A Glossary (when the textbook does not have one)
- An 80-question Practice Test
- Answers to the Practice Test

The objectives indicate what you can expect to learn from the course, and are also designed to help you organize your studying and concentrate on important topics and explanations. Refer to the objectives frequently to make sure you are meeting them.

The exercises help you check how well you've learned the concepts in each chapter. These will be graded by your instructor (group study students) or The Educational Foundation (home study students).

An 80-question Practice Test appears at the end of the Workbook. All the questions are multiple-choice, and have four possible answers. Circle the best answer to each question, as in this example:

Who was the first president of the United States?

- a. Thomas Jefferson.
- ☒ b. George Washington.
- c. Benjamin Franklin.
- d. John Adams.

Answers to the Practice Test follow in the Workbook so that you may grade your own work.

## The Final Exam

Home study students will be asked to nominate a person to administer the examination to them. (Your work supervisor or a local school official would be considered acceptable proctors by The Educational Foundation.) Home study students will receive further information about the examination when they have completed their last exercise. In the case of group study students, the examination will be proctored by your instructor. All examinations will be graded by The Educational Foundation. If you do not receive a passing grade on the examination, you may request a retest. A retest fee will be charged for the second examination.

## Study Tips

Since you have already demonstrated an interest in furthering your foodservice education by registering for this Educational Foundation course, you know that your next step is study preparation. We have included some specific study pointers that you may find useful.

- Build studying into your routine. If you hold a full-time job, you need to take a realistic approach to studying. Set aside a specific time and place to study, and stick to your routine as closely as possible. Your study area should have room for your course materials and any other necessary study aids. If possible, your area should be away from family traffic.
- Discuss with family members your study goals and your need for a quiet place and private time to work. They may want to help you draw up a study schedule that will be satisfactory to everyone.
- Keep a study log. You can record what lesson was worked on, a list of topics studied, the time you put in, and the dates that you sent your exercises to The Educational Foundation (or gave them to your group study instructor) for grading.
- Work at your own pace, but move ahead steadily. The following tips should help you get the most value from your lessons.
  1. Look over the objectives carefully. They list what you are expected to know for the examination.
  2. Read the chapters carefully, and don't hesitate to mark your text—it will help you later. Mark passages that seem especially important and those that seem difficult, as you may want to reread these later.

3. Try to read an entire chapter at a time. Even though more than one chapter may be assigned in a lesson, you may find you can carefully read only one chapter in a sitting.
4. When you have finished reading the chapter, go back and check the highlights and any notes you have made. These will help you review for the examination.

## **Reviewing for the Final Exam**

When you have completed the final exercise and practice test, you will have several items to use for your examination review. If you have highlighted important points in the textbook, you can review them. If you have made notes in the margins, check them to be sure you have answered any questions that arose when you read the material. Reread certain sections if necessary. Finally, you should go over your exercises.

## **The ProMgmt. Program**

The National Restaurant Association's ProMgmt. Program is designed to provide foodservice students and professionals with a solid foundation of practical knowledge and information. Each course focuses on a specific management area. For information on the program, please contact The Educational Foundation at 312/715-1010 or 800/765-2122.



# Lesson 1

## INTRODUCTION TO FOOD, BEVERAGE, AND LABOR CONTROLS

### Student Objectives

*After completing this lesson, you should be able to:*

- Define the terms **cost** and **sales**, and distinguish between various types of costs.
- Describe the significance of cost-to-sales relationships and several cost-to-sales ratios important in food and beverage management.
- Perform various calculations using cost percent formulas.
- List and discuss factors that cause industry-wide variations in cost percents.
- Distinguish between monetary and nonmonetary sales concepts.
- Define control, discuss its significance in food and beverage management, and list the four steps in the control process.
- Explain the importance of cost/volume/profit relationships to an understanding of cost control.
- Solve problems to determine: sales in dollars, sales in units, variable costs, fixed costs, profit, contribution rate, contribution margin, variable rate, and break-even point.
- Illustrate break-even computation and list and illustrate ways in which the break-even point can be changed.
- List and describe the common types of computer programs used in food and beverage management.

### Reading Assignment

Now read Chapters 1–4 in the text. Use this information to answer the questions and activities in Exercises 1–4.



## Chapter 1 Exercise

As the newly hired cost controller of the Horizon Cafe, you have been supplied with the following year-end cost information.

___ (1) Depreciation on equipment	\$ 12,375
___ (2) Interest expense	\$ 2,300
___ (3) Occupancy costs	\$ 30,800
___ (4) Cost of food sold	\$ 103,470
___ (5) Employee benefits (40% fixed)	\$ 20,030
___ (6) Advertising	\$ 3,200
___ (7) Utilities	\$ 21,370
___ (8) Cost of beverages sold	\$ 11,340
___ (9) Administrative expenses	\$ 2,330
___ (10) Salaries and wages (40% fixed)	\$ 106,000

1. Identify each of the costs above as fixed, variable, or semivariable in the blanks provided.
2. Given that food sales were \$325,200 for the year and beverage sales \$51,400, prepare a statement of income on a separate sheet for the Horizon Cafe. (Use Figure 1.1 in the textbook as a guide.) Include advertising, utilities, and administrative expenses as one lump sum under Other Controllable Expenses. Did the Horizon Cafe make a profit?
3. What is the Horizon Cafe's prime cost, food cost percent, beverage cost percent, and labor cost percent?

Prime Cost: \_\_\_\_\_  
Food Cost Percent \_\_\_\_\_  
Beverage Cost Percent: \_\_\_\_\_  
Labor Cost Percent: \_\_\_\_\_

4. Explain how fixed and variable costs change as business volume changes.

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5. The Horizon Cafe features ten menu items. Calculate the sales mix for the last month given the information below. Do not round off percentages.

Menu Item	Portion Sales	Sales Mix
1	500	_____ %
2	600	_____ %
3	900	_____ %
4	1,200	_____ %
5	800	_____ %
6	550	_____ %
7	1,000	_____ %
8	950	_____ %
9	850	_____ %
10	650	_____ %
Totals	_____	_____ %

## Chapter 2 Exercise

The following is a list of control techniques. For each item:

- (1) Briefly explain the technique's purpose and importance.
- (2) Provide an example of how the technique might be applied in a foodservice operation.

a. Establishing standards

(1) \_\_\_\_\_

\_\_\_\_\_

(2) \_\_\_\_\_

\_\_\_\_\_

b. Establishing procedures

(1) \_\_\_\_\_

\_\_\_\_\_

(2) \_\_\_\_\_

\_\_\_\_\_

c. Training

(1) \_\_\_\_\_

\_\_\_\_\_

(2) \_\_\_\_\_

\_\_\_\_\_

d. Setting examples

(1) \_\_\_\_\_

\_\_\_\_\_

(2) \_\_\_\_\_

\_\_\_\_\_

e. Observing and correcting employee actions

(1) \_\_\_\_\_  
\_\_\_\_\_

(2) \_\_\_\_\_  
\_\_\_\_\_

f. Disciplining employees

(1) \_\_\_\_\_  
\_\_\_\_\_

(2) \_\_\_\_\_  
\_\_\_\_\_

g. Requiring records and reports

(1) \_\_\_\_\_  
\_\_\_\_\_

(2) \_\_\_\_\_  
\_\_\_\_\_

h. Preparing and following budgets

(1) \_\_\_\_\_  
\_\_\_\_\_

(2) \_\_\_\_\_  
\_\_\_\_\_

### Chapter 3 Exercise

Use the following cost information for T.J.'s Bar and Grill to answer the questions below.

Food cost	\$ 110,000
Variable labor cost	\$ 37,500
Occupancy cost	\$ 33,000
Interest	\$ 10,350
Depreciation	\$ 19,220
Beverage cost	\$ 23,700
Fixed labor cost	\$ 51,050
Other controllable expenses	\$ 47,750

1. What is the establishment's profit if sales are \$355,000.00? What is the basic cost/volume/profit equation?
  
2. Calculate the following.
  - (1) The break-even point.
  - (2) The level of dollar sales required to earn a profit of \$50,000.
  - (3) The level of dollar sales if the bar is operating at a loss of \$25,250.

(4) The contribution margin at the profit from question 1.

(5) If the manager has not been controlling variable costs and the variable rate rises to 0.513, what sales level is now required to earn the same profit (from question 1)?

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3. During one period, sales for a particular menu item are \$64,000, variable cost is \$20,000, and 4,000 customers are served.

(1) What is the average contribution margin?

(2) If fixed costs for the period are \$66,000, how many unit sales are required for break-even?

4. If the menu price for the item in question 3 is increased to \$20:

(1) What is the new dollar break-even figure?

(2) How many covers are now needed for break-even?



## Chapter 4 Exercise

You have just purchased a new computer system for use in your 200-seat Italian restaurant.

1. List 20 examples of how the system might be used.

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
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