Top of Form

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Bottom of Form

[**BASIC KITCHEN AND FOOD SERVICE MANAGEMENT**](https://opentextbc.ca/basickitchenandfoodservicemanagement/)

Food Costing

**Standard Purchase Specifications**

Food service establishments are businesses. In order to stay in business, everyone involved with the enterprise should have at least a basic idea of how costs are determined and how such costs have an impact on an operating budget.

Food costs are controlled by five standards to which all employees and managers must adhere:

* Standard purchase specifications
* Standard recipes
* Standard yields
* Standard portion sizes
* Standard portion costs

To calculate the cost of each item, you need to understand the relationship between **standardized recipes**, standard portions, and yield tests. All of these play a role in calculating the cost of each item on your menu.

After goods are ordered, there should be no surprises when the goods arrive. The more specific the order, the less the chance of receiving supplies that are too high in price, too poor in quality, or too many in number.

Specifications can include brand names, grades of meat, product size, type of packaging, container size, fat content, count per kilogram, special trimming, and so on. The specifications should be specific, realistic, and easy to verify.

Precise specifications can:

* Reduce purchasing costs as higher quality products need not be accepted
* Ensure constant quality in menu items
* Allow for accurate competitive bidding among suppliers and so reduce costs

Specifications usually do not include general delivery procedures or purchase price. Directions and prices can change quickly. Specifications should be well thought out and are usually not subject to quick change.

**Standardized Recipes**

A standardized recipe is one that holds no surprises. A standardized recipe will produce a product that is close to identical in taste and yield every time it is made, no matter who follows the directions. A standardized recipe usually includes:

* A list of all ingredients including spices and herbs
* Exact quantities of each ingredient (with the exception of spices that may be added to taste)
* Specific directions for the order of operations and types of operations (e.g., blend, fold, mix, sauté)
* The size and number of portions the recipe will produce

**Standard Yields**

The **yield** of a recipe is the number of portions it will produce. Standard yields for high-cost ingredients such as meat are determined by calculating the cost per cooked portion. For example, a 5 kg roast might be purchased for $17 a kilogram. The cooked roast is to be served in 250 g portions as part of a roast beef dinner. After trimming and cooking, the roast will not weigh 5 kg, but significantly less. By running a **yield test**, the cost per portion and unit weight, and the standard yield and yield percentage, can be determined.

**Standard Portions**

A standard recipe includes the size of the portions that will make up a serving of the recipe. Controlling portion size has two advantages in food management: **portion costs** for the item will be consistent until ingredient or labour costs increase, and customers will receive consistent quantities each time they order a given plate or drink.

Standard portions mean that every plate of a given dish that leaves the kitchen will be almost identical in weight, count, or volume. Only by controlling portions is it possible to control food costs. If one order of bacon and eggs goes out with six rashers of bacon and another goes out with three rashers, it is impossible to determine the actual cost of the menu item.

Adhering to the principles of standard portions is crucial to keeping food costs in line. Without portion control, there is no consistency. This not only could have drastic effects on your food costs (having no real constant costs to budget for) but also on your customers. Customers appreciate consistency. They expect that the food you prepare will taste good, be presented properly, and be the same portion size every time they order it. Consider how the customer would feel if the portion size fluctuated with the cook’s mood. A cook’s bad mood might mean a smaller portion or, if the cook was in a good mood because the work week was over, the portion might be very large. It may be hard to grasp the importance of consistency with one single portion, but consider if fast-food outlets did not have portion control. Their costs as well as their ordering and inventory systems would be incredibly inaccurate, all of which would impact negatively on their **profit** margin.

Strict portion control has several side benefits beyond keeping costs under control. First, customers are more satisfied when they can see that the portion they have is very similar to the portions of the same dish they can see around them. Second, servers are quite happy because they know that if they pick up a dish from the kitchen, it will contain the same portions as another server’s plate of the same order.

Simple methods to control portion include weighing meat before it is served, using the same size juice glasses when juice is served, counting items such as shrimp, and portioning with scoops and ladles that hold a known volume. Another method is using convenience products. These products are received usually frozen and are ready to cook. Portions are consistent in size and presentation and are easily costed out on a per unit basis. This can be helpful when determining the standard portion costs.

**Note**: Using convenience products is usually more costly than preparing the item in-house. However, some chefs and managers feel that using premade convenience products is easier than hiring and training qualified staff. But always keep in mind that if the quality of the convenience item is not comparable to an in-house made product, the reputation of the restaurant may suffer.

Standard portions are assured if the food operation provides and requires staff to use such tools as scales, measured ladles, and standard size scoops. Many operations use a management portion control record for menu items, similar to the one shown in Figure 8. The control record is posted in the kitchen so cooks and those who plate the dishes know what constitutes standard portions. Some operations also have photographs of each item posted in the kitchen area to remind workers what the final product should look like.

**Portion Control Record**

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| --- | --- | --- | --- | --- | --- |
| **Item** | **Purchased Size** | **Yield %** | **Cooked Yield** | **Portion Size** | **No. of Portions** |
| Baked ham | 6-7 kg | 50% | 3.0-3.5 kg |  |  |
| Lunch |  |  |  | 50 g | 60-70 |
| Dinner |  |  |  | 85 g | 35-41 |
| Prime rib | 9-12 kg | 40% | 3.6-4.8 kg | 150 g | 24-32 |
| Fillet of sole | 500 g | 100% | 500.0 g |  |  |
| Lunch |  |  |  | 50 g | 10 |
| Dinner |  |  |  | 85 g | 6 |
| Potatoes: | 50 kg |  |  |  |  |
| * Roasted
 |  | 75% | Peeled – 37.5 kg | 100 g | 375 |
| * French fries
 |  | 56% | Peeled – 28.0 kg | 100 g | 280 |
| Daily veg | 5 kg |  |  |  |  |
| Green beans |  | 80% | Trimmed – 4 kg | 50 g | 80 |
| Carrots |  | 80% | Peeled – 4 kg | 50 g | 80 |

Figure 8: Portion control record

**Standard Portion Costs**

A standard recipe served in standard portions has a standard portion cost. A standard portion cost is simply the cost of the ingredients (and sometimes labour) found in a standard recipe divided by the number of portions produced by the recipe. Standard portion costs change when food costs change, which means that standard portion costs should be computed and verified regularly, particularly in times of high inflation. If market conditions are fairly constant, computing standard portion costs need not be done more than every few months.

Details about recipe costs are not usually found on a standard recipe document but on a special recipe detail and cost sheet or database that lists the cost per unit (kilogram, pound, millilitre, ounce, etc.) and the cost per amount of each ingredient used in the recipe or formula.

The standard portion cost can be quickly computed if portions and recipes are standardized. Simply determine the cost of each ingredient used in the recipe and ingredients used for accompaniment or garnish.

The ingredients in a standard recipe are often put on a recipe detail sheet (Figure 9). The recipe detail sheet differs from the standard recipe in that room is provided for putting the cost of each ingredient next to the ingredient. Recipe detail sheets often have the cost per portion included as part of their information, and need to be updated if ingredient costs change substantially. They can also be built in a POS system database or spreadsheet program that is linked to your inventory to allow for the updating of recipe costs as ingredient costs change.

**Menu item: Seafood Newburg**
**Yield:** 10 portions
**Portion size:** 125 g of seafood
**Selling price:** $12.99
**Cost/portion:** $4.07
**Food cost %:** 31.3%

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Ingredients** | **Quantity** | **Units** | **Cost/Unit** | **Extension** |
| Lobster meat | 500 g | kg | $38.00 | $19.00 |
| Scallops | 250 g | kg | $25.00 | $6.25 |
| Shrimps | 250 g | kg | $14.00 | $3.50 |
| Sole | 250 g | kg | $8.50 | $2.13 |
| Cream, heavy | 250 mL | L | $4.00 | $1.00 |
| Fish Velouté | 750 mL | L |  | $1.00 |
| Butter | 250 g | 500 g | $2.85 | $1.43 |
| Pepper and salt |  |  |  |  |
| Paprika | 5 g |  |  | $0.15 |
| Sherry | 250 mL | 750 mL | $12.00 | $4.00 |
| Egg yolks | 6 | 12 | $2.00 | $1.00 |
| Patty shells | 10 | each | $0.12 | $1.20 |
| Total |  |  |  | $40.66 |

**Procedure**

Quarter the scallops, dice the lobster meat, halve the shrimps, and chop the sole before sautéing well in melted butter. Add sherry and simmer for a few minutes. Add the fish velouté sauce and paprika and continue to simmer. Combine the egg yolks and the heavy cream before adding them slowly to the simmering pan. Season to taste with salt and white pepper. Serve in patty shells.

Figure 9: Recipe detail and cost sheet

Note that the portion cost and selling price used in Figure 9 is for the Seafood Newburg alone (a true à la carte price) and not the cost of all accompaniments found on the plate when the dish is served.

For example, the cost of bread and butter, vegetables, and even garnishes such as a wedge of lemon and a sprig of parsley must be added to the total cost to determine the appropriate selling price for the Seafood Newburg.

**Costing Individual Items on a Plate**

If you need to determine the total cost of a plate that has multiple components, rather than a recipe, you can follow the procedure in the example below.

Example

Standard order of bacon and eggs: the plate contains two eggs, three strips of bacon, toast, and hash browns.

The cost of ingredients used for accompaniment and garnish can be determined by using the standard portion cost formula, which is the purchase price of a container (often called a unit) divided by the number of portions in the container. That is,

standard portion cost = unit cost/portions in the unit

An example is a carton of eggs. If eggs cost $2.00 a dozen and a standard portion in a menu breakfast item is two eggs, the standard portion cost can be found.

Recall the equation:

standard portion cost = unit cost/portions in the unit

Now, find the portions in the unit.

portions in the unit = number in unit/number in a portion

= 12/2

= 6

That is, there are six 2-egg portions in a dozen eggs.

Substitute the known quantities into the equation.

standard portion cost  = unit cost/portions in unit

= $2.00/6

= $0.33

You could get the same answer by calculating how much each egg in the dozen is worth ($2.00/12 = $0.17) and then multiplying the cost per egg by the number of eggs needed ($0.17 x 2 = $0.34). No matter what method is used, the standard portion of two eggs in this order of bacon and eggs has a standard portion cost of $0.34.

You can find the standard portion cost of the bacon in the same way. If a 500 g package of bacon contains 20 rashers and costs $3.75, the standard portion cost of a portion consisting of four rashers can be found quickly:

portions in the unit = 20/4

= 5

standard portion cost = unit cost/portions in unit

= $3.75/5

= $0.75

The bacon and eggs on the plate would have a standard portion cost of $1.09. You could determine the cost of hash browns, toast, jam, and whatever else is on the plate in the same manner.

Often, restaurants will serve the same accompaniments with several dishes. In order to make the costing of the entire plate easier, they may assign a “plate cost,” which would include the average cost of the standard starch and vegetable accompaniments. This makes the process of pricing daily specials or menu items that change frequently easier, as you only need to calculate the cost of the main dish and any specific sauces and garnishes, and then add the basic plate cost to the total to determine the total cost of the plate.

Figures 10 and 11 provide an example for calculating the basic plate cost and the cost of daily features.

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| --- | --- |
| Mashed potatoes, one serving | $0.50 |
| Mixed vegetables, one serving | $0.75 |
| Demi-glace, one serving | $0.30 |
| Herb garnish | $0.20 |
| **Total basic plate cost** | **$1.75** |

Figure 10: Calculating basic plate cost for daily meat special

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Day** | **Feature** | **Feature Cost per Portion** | **Basic Plate Cost** | **Total Cost** |
| Monday | Roast beef | $5.00 | + $1.75 | = $6.75 |
| Tuesday | Pork chop | $3.75 | + $1.75 | = $5.50 |
| Wednesday | Half roast chicken | $4.00 | + $1.75 | = $5.75 |

Figure 11: Calculating the cost of daily features using a basic plate cost

Consistent food quality—The use of standardized recipes ensures that menu items will be consistent in quality each time they are prepared and served. • Predictable yield—The planned number of servings will be produced by using standardized recipes. This can help to reduce the amount of leftover food if there has been overproduction, and also will help to prevent shortages of servings on the line. A predictable yield is especially important when food is transported from a production kitchen to other serving sites. • Customer satisfaction—Well-developed recipes that appeal to students are an important factor in maintaining and increasing student participation levels. Schools may take a lesson from national restaurant chains that have developed popular menu items consistent in every detail of ingredient, quantity, preparation, and presentation. Standardized recipes provide this consistency and can result in increased customer satisfaction. • Consistent nutrient content—Standardized recipes will ensure that nutritional values per serving are valid and consistent. • Food cost control—Standardized recipes provide consistent and accurate information for food cost control because the same ingredients and quantities of ingredients per serving are used each time the recipe is produced. • Efficient purchasing procedures—Purchasing is more efficient because the quantity of food needed for production is easily calculated from the information on each standardized recipe. • Inventory control—The use of standardized recipes provides predictable information on the quantity of food inventory that will be used each time the recipe is produced. • Labor cost control—Written standardized procedures in the recipe make efficient use of labor time and allow for planned scheduling of foodservice personnel for the work day. Training costs are reduced because new employees are provided specific instructions for preparation in each recipe. • Increased employee confidence—Employees feel more satisfied and confident in their jobs because standardized recipes eliminate guesswork, decrease the chances of producing poor food products, and prevent shortages of servings during meal service. • Reduced record keeping—A collection of standardized recipes for menu items will reduce the amount of information required on a daily food production record. Standardized recipes will include the ingredients and amounts of food used for a menu item. The food production record will only need to reference the recipe and portion/serving sizes along with the number of planned, offered, and served menu items with leftover amounts. • Successful completion of State/Federal reviews— Standardized recipes are a source of documentation for the State Agency reviews. These reviews determine how well schools are meeting the statutory nutrition standards. Schools provide a minimum of one week of menus, recipes, and production records for nutrient analysis by the State Agency. If necessary, this week may be expanded to the entire month. A review cannot be completed if the recipes are missing information or provide inaccurate information on ingredients, yield, or serving size. Menus, recipes, production records, and the nutrient analysis are kept on file for review.

Appraisal systems are often misunderstood and mismanaged. Appraisals are central both to human resource management and performance management. Understanding their role, objectives, benefits and purpose is important to all employers. Careful preparation and understanding is required if the appraisal process is to be successful, worthwhile and relevant. Appraisal systems exist to improve organisational efficiency by ensuring that individuals perform to the best of their ability, develop their potential, and earn appropriate reward. This in turn leads to improved organisational performance.

Appraisals have three main purposes. These are often misunderstood. The first is to measure the extent to which an individual may be awarded a salary increase compared with his or her peers. This is the reward review component.

The second purpose of an appraisal is to identify any training needs and, if appropriate, to provide training and development to enable an individual to help the organisation to achieve its objectives. This is the performance review component. Finally, appraisals are also important to aid an individual's career development by attempting to predict work that the individual may be capable of in the future. This is the potential review component.

Employees often question the value and usefulness of the time and effort taken up by an appraisal. However, it establishes key results that an individual needs to achieve within a time period while also comparing the individual's performance against a set and established standard. The employee is not the only beneficiary - the organisation benefits through identifying employees for promotion, noting areas for individual improvement, and by using the system as a basis for human resource planning.

**Sales Mix:**

A sales-mix analysis is simply a recap of the number of items sold, their food costs, and consequently, the profit margin for the restaurant. Over time, it provides a good look at the average profit generated by each You can do a sales-mix analysis for your restaurant by following these simple instructions: 1. Using a spreadsheet program, (or by simply using a piece of paper), create a spreadsheet with 9 columns. The columns should be headed: item, selling price, number sold, total sales, cost, profit margin, total costs, total profit, and stars. 2. Place the name of each menu item in the first column. 3. Choose a time frame, such as daily, weekly, etc., and record the number sold for each item. 4. Calculate the food cost for each item and record it under the "cost" column. 5. Multiply number sold by selling price to calculate total sales. 6. Subtract the food cost from the selling price to calculate profit margin. 7. Multiply number sold times cost to get total cost. 8. Multiply number sold times profit margin to get total margin. 9. Place a check mark in the Stars column next to any item that delivers a good margin. You want to sell more of these. 10. Calculate the average profit margin per guest by dividing the total profit margin by the number of guests served. This is a very important number. Use it to determine the efficiency of any menu changes. If you offer a new special and this number goes up, life is good! If you create a new menu and the number goes down, well that means you may be in trouble.

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