

MARKING SCHEME
HOSPITALITY MANAGEMENT
SEPTEMBER - DECEMBER 2021/2022 SEMESTER
FOOD AND BEVERAGE COST CONTROL

DATE: OCTOBER 2021

TIME: 2 HOURS

PART ONE

Q1. State and explain why it is important for food service managers to learn about different applications of costs. **(4 Marks)**

Revenue management
Cost control
Effectiveness and efficiency
Management decisions

Q2. Food and beverage expenses may be grouped into four. Explain. **(6 Marks)**

- a) Food costs - costs concerned with producing and presenting a guest's order from the menu. Include all food and non-food items used up in the delivery of a guest's selection.**
- b) Beverage costs - costs incurred in the sale of alcoholic beverages such as wine, liquor, beer as well as all other items needed in preparing and presenting cocktails e.g. lemon, carbonated drinks, olives etc.**
- c) Labor costs - the cost of the manpower needed to successfully produce and sell the food and beverage product.**
- d) Expenses - all other costs excluded in food, beverage and labor are included here. These include business fees, rent, tools, equipment, furnishings, utilities etc.**

Q3. Discuss the importance of use of food and beverage standards. **(5 Marks)**

- a) Enhanced profitability through reduced costs**
- b) Increased business efficiency**
- c) Establishment and implementation of standards**
- d) Competitive advantage through effective pricing**
- e) Sustainability**
- f) Control of fraud**
- g) Provides essential information used in management**

PART TWO

(Application Question)

You have been hired as an independent consultant to a five-star hotel on the best strategies to use in lowering their high food cost. Provide a detailed explanation on why you think their food cost is high and give numerous, suitable and innovative strategies they can use to lower it.

Reasons for high food cost:

Menu

Poor forecasting of business volume, Menu offerings that do not appeal to clientele, Poor menu design for cost control, Too many items on the menu, Monotonous menu choices, No balance between high and low food cost menu items, Poor promotion of low cost items, Improper pricing of menu items, Failure to adjust prices when food costs increase.

Purchasing

**Excessive inventory of perishable items, No competitive purchase policy, No detailed specifications
Poor relationships with suppliers, Use of fixed versus flexible standing orders, Not monitoring markets for supply and price, Graft between buyer and purveyors, No regular and organized inventory procedures, No formal written inventory records, Overbuying, Par stock level too high—slow inventory turnover, Fictitious company invoices being sent for payment, Reprocessing of paid invoices for payment, Failure to take discounts for early payment.**

Receiving

Theft by delivery person, Failure to check invoices for correct prices, quantity, quality, No system to assure proper credit for returned merchandise, No weighing items purchased by weight, Failure to adhere to purchase specifications, Signing invoices without checking deliveries

No backup record of purchases to compare to delivery invoice, Acceptance of less than complete shipments with “full” billing and failing to receive back-orders.

Storage

Improper storage temperature of perishable items, Failure to properly cover supplies, Poor sanitation of storage areas, No periodic report of dead stock or inventory turnover, Spoilage due to vermin, No daily inspection of perishable foods, No locks on storage areas, Unorganized storage areas, No limited access to storage areas, No written record of issues, No “forced issues” of dead stock, No serially numbered guest checks, No audit of cash register readings, No control of voids and payouts, No reconciling of kitchen checks and

guest checks, No reconciliation of statements to invoices, No record of reported waste and spoilage

Preparation/Processing

Excessive trim waste on meats and vegetables, Inability to incorporate trim / by-products into production items, Overproduction, Failure to follow standardized recipes, Failure to follow standardized cooking techniques, Not cooking in small batches, Inadequate or improper processing equipment and utensils, Preparing too much food in advance, Failure to check portioning standards, Over reliance on value-added (convenience) products, Overcooking foods and resulting low yields, No production / menu mix history to guide production amounts

Oversized portions, Using more costly varieties / grades than needed for intended use, Excessive use of high convenience foods.

The location of the hotel may provide unique an issue as to why the food cost may be high therefore answers should reflect this.

End of Exam