

Chapter 1: REVENUE CONTROL

a) Cost (Elements & Classification)

Cost represents the monetary value expended to produce a good or service. In the hospitality industry, managing and controlling costs is fundamental to maximizing revenue.

- **Elements of Cost:** The total cost of any product or service is generally broken down into three primary elements:
 - **Material:** The cost of raw ingredients, supplies, and goods consumed directly in the creation of the product (e.g., food, beverage, linen).
 - **Labor:** The cost of human effort, including wages, salaries, benefits, and taxes paid to employees involved in production or service.
 - **Expense (or Overhead):** All other costs necessary to operate the business that are not directly material or labor (e.g., rent, utilities, insurance, depreciation).
- **Classification of Cost:** Costs can be categorized based on how they behave in relation to changes in sales volume:
 - **Fixed Costs (FC):** Costs that remain constant in total, regardless of the level of sales or volume of business within a relevant range (e.g., rent, property insurance, fixed salaries).
 - **Variable Costs (VC):** Costs that change in direct proportion to changes in sales volume or production (e.g., cost of food sold, cost of beverage sold, hourly wages based on guest traffic).
 - **Semi-Variable Costs (or Mixed Costs):** Costs that contain both a fixed and a variable component (e.g., utility bills where there is a fixed connection charge plus a variable charge based on consumption).

b) Labor Control

Labor is often the largest controllable expense in hospitality. Effective labor control ensures that the right number of people are working at the right time to meet operational needs efficiently.

- **Establishing Standard Staffing Guideline:** This involves determining the optimal number of employees needed to service a specific volume of business or complete a set of tasks efficiently. It is often based on historical data, industry standards, or **performance standards** (e.g., covers per waiter, rooms cleaned per hour).
- **Preparing Work Schedule:** The process of allocating employees to specific shifts and tasks to meet the predicted demand outlined in the staffing guidelines. A good schedule minimizes overtime, ensures adequate coverage during peak hours, and adheres to labor laws.
- **Analyzing Labor Cost:** This involves comparing actual labor costs (wages, benefits) against the budgeted or standard labor costs. Key metrics include **labor cost percentage** $((\text{Labor Cost}/\text{Sales}) \times 100)$ and **productivity** (sales or covers per labor hour). Analysis helps identify areas of inefficiency, such as overstaffing or excessive overtime.

c) Costing, Pre & Post P&L

- **Costing:** The process of determining the total cost of producing a specific product (e.g., a dish, a cocktail) or service. This is critical for setting appropriate selling prices and controlling expenses.
- **Pre P&L (Profit & Loss/Income Statement) Analysis (Budgeting):** This is the forward-looking process of projecting revenues and expenses for a future period. It involves setting sales targets and cost standards (like budgeted food cost percentage) to forecast the expected net profit. It's an essential planning and control tool.
- **Post P&L (Profit & Loss/Income Statement) Analysis (Actual Results):** This is the retrospective analysis of the actual financial performance for a completed period. It compares actual revenues and expenses against the **budget** (Pre P&L) and identifies **variances**. This helps management understand why performance deviated from the plan and take corrective actions.

Chapter 2: FOOD & BEVERAGE CONTROL

Food and beverage (F&B) control is the system of procedures and standards that ensures that F&B products are procured, stored, prepared, and served efficiently to maximize profitability and minimize waste or loss.

a) Different types of bar licenses

The type of license dictates what alcoholic beverages can be sold and consumed on the premises. These vary significantly by jurisdiction, but generally include:

- **Restaurant/On-Premise License:** Allows the sale of alcoholic beverages (beer, wine, and spirits) for consumption on the licensed property, typically along with food.
- **Retail/Off-Premise License:** Allows the sale of packaged alcoholic beverages for consumption off the premises (e.g., liquor stores).
- **Beer and Wine Only License:** Restricts sales to just beer and wine, excluding distilled spirits.
- **Catering/Special Event License:** A temporary license permitting the sale and service of alcohol at a specific event or location away from the main licensed venue.

b) Purchasing

This is the first step in the control cycle, focused on acquiring the right quality and quantity of products at the best possible price. Key aspects include establishing **purchasing specifications**, determining **par stock** (inventory level targets), and managing the relationship with reliable **suppliers**.

c) Receiving

The critical step where products delivered by the supplier are checked against the **purchase order** and **invoice**. This process ensures the correct items, quantities, and quality are received, and that the temperature and condition of perishable goods are acceptable before accepting ownership.

d) Storing

Proper storage minimizes spoilage, theft, and misuse. It involves organizing inventory, maintaining optimal temperature and humidity (e.g., dry stores, refrigerators, freezers), and adhering to the **First-In, First-Out (FIFO)** principle to ensure older stock is used before newer stock.

e) Issuing

The formal procedure of moving products from the main storeroom to the production or service area (e.g., kitchen, bar). Issuing must be done only based on an authorized **requisition form** to track product movement and prevent unauthorized withdrawals.

f) Production Control

This stage focuses on minimizing waste and maximizing yield during the preparation of F&B items. It involves following **standard recipes**, ensuring staff correctly utilize and handle ingredients, and monitoring portioning.

g) Standard Recipe

A recipe that specifies the exact quantity of every ingredient, preparation method, portion size, and garnish for a dish or drink. Its use is essential for achieving **consistency in quality** and **accurate cost control**, as it provides a precise basis for calculating the **Standard Cost** of the item.

h) Standard Portion Size

The predetermined and consistent amount of a food or beverage item that is to be served to every guest. Consistency in portion size ensures both cost control and customer satisfaction.

i) Bar frauds

These are illicit activities within a bar designed to steal cash or product. Examples include: **Short pouring** (serving less than the standard measure but charging full price), **watering down** (diluting spirits to increase volume), **free pouring** (not using a measuring jigger, leading to over-or under-pouring and loss of control), and simply pocketing cash from sales.

j) Books maintained

Various records are kept for F&B control, including:

- **Purchase Register/Log:** Records all purchases made.
- **Receiving Report/Log:** Documents all goods received.
- **Store Ledger/Bin Card:** Tracks quantities of stock in storage.
- **Requisition Forms:** Documents issues from the store to the kitchen/bar.
- **Daily Food/Beverage Sales Reports:** Tracks revenue and consumption.

k) Beverage control

Specifically focuses on the control of alcoholic and non-alcoholic beverages. Key methods include: **Standard portion control** (using jiggers or measured pour spouts), **inventory control** (weekly or daily stock takes), and **sales analysis** to compare what was sold versus what should have been consumed based on the standard recipes.

l) Volume forecasting

The process of estimating the expected number of covers (meals) or customers for a future period (day, week). Accurate forecasting is the foundation for efficient F&B control, as it determines how much to purchase, prepare, and staff.

m) Bin card

A simple record, often a physical card or tag, kept on or near a specific storage bin or shelf. It records the **product name**, **stock code**, **quantity received**, **quantity issued**, and the **balance in stock**. It is solely a **quantity** record, not a value record.

n) Meat tag

A tag attached to large cuts of meat, poultry, or fish when they are received and placed in storage. The tag typically records the **date received**, **supplier name**, **weight**, and sometimes the **cost**. This helps track inventory and ensure **FIFO** when issuing meat for butchering and production.

Chapter 3: SALES/ REVENUE / BUDGET CONTROL SYSTEM

This chapter focuses on the systems and procedures used to manage revenue generation, handle cash transactions, and plan for financial performance.

a) Sales concepts

In a control context, sales represent the total revenue generated from the delivery of products and services. Key concepts include: **Revenue Centers** (areas generating sales, e.g., restaurant, room division), **Cost of Sales** (the direct cost of the goods sold), and **Gross Profit** (Sales - Cost of Sales).

b) Sales forecasting for business plans

The process of estimating future sales revenue based on historical data, market trends, special events, and seasonality. Accurate sales forecasts are crucial for creating operational budgets, managing cash flow, and making strategic decisions within the business plan.

c) Procedure of cash control (Imprest amount)

Cash control refers to the procedures put in place to ensure that all cash generated is properly recorded, safeguarded, and deposited. The **Imprest System** is a specific method, typically used for **Petty Cash** funds. A fixed sum of cash (the imprest amount) is set aside. After making small payments, the fund is reimbursed by the exact amount spent, ensuring the total cash on hand plus payment vouchers always equals the original imprest amount.

d) Manual/ Electronic Check Systems- ECR/NCR/ POS

These are the systems used to record and process a guest's order and subsequent payment:

- **Manual Check Systems:** Rely on handwritten guest checks (KOTs/BOTs). Control relies on sequentially numbered checks and careful reconciliation.
- **Electronic Cash Register (ECR):** A standalone machine that records sales, calculates change, and generates receipts. It provides basic sales reporting.
- **Non-Cash Register (NCR) System:** A system that processes transactions without being a traditional register, often a part of a larger computer setup.
- **Point of Sale (POS) System:** A sophisticated, integrated network of hardware and software. The POS system manages order entry, transmits orders to the kitchen/bar, processes payments, tracks inventory, and provides detailed sales and labor reports.

e) Processing Credit Cards

The procedure for accepting, authorizing, and settling credit and debit card transactions. This involves: **Card swipe/insertion**, **communication** with the payment gateway and issuing bank for **authorization**, **printing a receipt**, and later **settlement** (batching) the transactions for fund transfer to the business's bank account.

f) Reports

Reports generated by control systems are vital for decision-making. Key reports include:

- **Sales Reports:** Daily, weekly, or monthly summaries of revenue by department, item, and server.
- **Labor Reports:** Track hours worked, labor costs, and productivity.
- **Audit/Discrepancy Reports:** Highlight voids, deletions, overrings, and no-sale transactions, signaling potential control issues or theft.

g) Types of thefts

Theft in the hospitality industry can be committed by employees (**internal theft**) or customers (**external theft**). Examples include:

- **Cash Skimming:** Taking cash from sales without recording the transaction.
- **Product Theft:** Stealing inventory (food, liquor).
- **Non-Cash Fraud:** Using fraudulent credit cards or manipulating voids/refunds.

h) Cash and digital payment handling

This involves the standardized procedures for managing all forms of payments:

- **Cash Handling:** Includes accurate counting, secure storage (cash drawers, safes), two-person verification for deposits, and timely bank reconciliation.
- **Digital Payment Handling:** Securely processing payments via credit/debit cards, mobile wallets, and other electronic methods, ensuring compliance with data security standards (e.g., PCI DSS).

i) Budgetary control- Objectives, Framework, Key factors

- **Objectives:** The primary goals are to: **Plan** future operations, **Coordinate** activities across departments, **Communicate** expectations, **Motivate** managers, and **Evaluate** performance by comparing actual results to the budget.
- **Framework:** The process of creating a budget, which often involves setting targets for sales, expenses, and capital expenditure; approval by management; continuous monitoring; and periodic review and revision.
- **Key Factors:** Elements critical to the budget's success: **Top-management support**, **Employee participation** in budget setting, **Realistic standards and assumptions** (based on accurate sales forecasting), and **Flexibility** to adapt to unforeseen changes.

Chapter 4: EVENT MANAGEMENT

Event management is the application of project management to the creation and development of large and small-scale events, such as conferences, festivals, ceremonies, weddings, and product launches.

a) Definition & Objectives

- **Definition:** The process of planning, organizing, coordinating, promoting, and executing an event.
- **Objectives:** To achieve a specific goal for the client or host, such as: **Generating revenue** (for the hotel/venue), **Launching a product**, **Building brand awareness**, **Networking/Education** (for a conference), or **Creating a memorable personal experience** (for a wedding).

b) MICE

An acronym standing for **Meetings, Incentives, Conferences, and Exhibitions** (or Events). This segment of the hospitality and tourism industry focuses on business-related travel and large-scale, planned gatherings.

c) Theme & budgeting

- **Theme:** The overarching concept, style, or atmosphere of an event. It guides all planning decisions, from decor and food to music and entertainment.
- **Budgeting:** The financial plan that allocates funds to various components of the event (e.g., venue, F&B, marketing, entertainment, personnel). Effective budgeting ensures the event's objectives are met within financial constraints.

d) Destination wedding

A wedding where the couple and the majority of their guests travel to a location away from their home city to celebrate. Hotels often offer comprehensive packages covering venue, accommodation, F&B, and vendor coordination.

e) Product launch

A planned event to introduce a new product or service to the market, typically involving press, key stakeholders, and potential customers. The objective is to generate media attention and sales leads.

f) Organizing Food Festival by Hotel

A hotel-hosted event focused on showcasing diverse culinary offerings, often featuring specific cuisines, celebrity chefs, or local produce. It serves as a marketing tool to drive F&B revenue and increase the hotel's visibility.

g) Selection of venue

A crucial decision based on several factors: the **event size** (capacity), the **event type** (suitability of space), **location** (accessibility), **available facilities** (tech, parking), and the **budget**.

h) Supplier management

The process of sourcing, evaluating, negotiating with, and coordinating external vendors (suppliers) who provide essential services or goods for the event, such as catering staff, florists, audio-visual technicians, and decorators.

i) Event Marketing

The strategic promotion of the event to attract the target audience. This includes using various channels like social media, email campaigns, public relations, and traditional advertising.

j) Dossier

A comprehensive collection of documents and information relating to the event. A post-event dossier often includes: the **final budget**, **event floor plans**, **supplier contracts**, **guest feedback**, and **photos/videos**. It serves as an archive for future reference and evaluation.

Chapter 5: BREAK EVEN ANALYSIS

Break-Even Analysis (BEA) is a tool used to determine the sales volume or revenue level required to cover all costs, resulting in neither a profit nor a loss.

a) Breakeven chart

A graphical representation used in BEA. The chart plots total revenue, total fixed costs, and total costs (fixed + variable) against sales volume. The **Breakeven Point (BEP)** is the point on the chart where the **Total Revenue line intersects the Total Cost line**.

b) PV Ratio (Profit-Volume Ratio)

Also known as the **Contribution to Sales Ratio**. It expresses the **Contribution Margin** as a percentage of Sales Revenue. It indicates the rate at which profit increases with volume.

$$\text{PV Ratio} = (\text{Sales Contribution} / \text{Margin}) \times 100$$

c) Contribution

The excess of Sales Revenue over Variable Costs. It represents the amount of revenue remaining to cover the **Fixed Costs** and contribute toward **Profit**.

$$\text{Contribution} = \text{Sales Revenue} - \text{Variable Costs}$$

d) Marginal Cost

The additional cost incurred by producing **one more unit** of a product or service. In the context of BEA, Marginal Cost is usually considered equal to the **Variable Cost** per unit.

f) Graphs

This refers to the visual presentation of BEA concepts, specifically the **Breakeven Chart** mentioned in section (a). The chart visually demonstrates the relationship between cost, volume, and profit. Key lines displayed are:

- **Fixed Cost Line (Horizontal):** Shows fixed costs remain constant.
- **Total Cost Line (Sloping):** Starts at the fixed cost level and rises as variable costs are added.
- **Total Revenue Line (Steeper Sloping):** Starts at zero and shows revenue increasing with volume.