Chapter 1: Pricing

Menu Pricing Styles

Menu pricing styles refer to the different ways a food service establishment structures its offerings and communicates prices to the customer.

- **A la carte:** This is the most common style where every item on the menu is priced individually. Customers can choose any combination of appetizers, main courses, and desserts, and their final bill is the sum of the prices of all items ordered.
- **Table d'hôte:** This style offers a complete meal at a single, fixed price. It usually includes a limited choice of dishes for each course. This method is popular for banquets, catering, and fixed-price lunch specials, as it simplifies ordering and inventory.
- **Cyclical Menu:** These menus change regularly over a set period, such as weekly, monthly, or quarterly. They are commonly used in institutions like hospitals, schools, and corporate cafeterias to prevent monotony and ensure variety for repeat customers.
- **Du Jour (Daily Special):** Also known as *Plat du Jour*, this is an item offered only on a specific day, often based on the availability of fresh ingredients or to utilize surplus stock. It is typically priced competitively to attract attention.

Types of Menu

The "type" of menu is often defined by its lifespan, formality, and presentation.

- **Static Menu:** A menu that rarely changes, offering the same items every day. Most fine dining and fast-food restaurants use static menus. It allows the kitchen to specialize and optimize the production of a consistent set of dishes.
- **Cycle Menu:** This is the same as the cyclical menu pricing style, where the menu rotates over a fixed period before repeating.
- **Specialty Menu:** These menus focus on a specific type of food, occasion, or customer group. Examples include wine lists, dessert menus, children's menus, or seasonal menus that highlight specific ingredients like truffles or asparagus.

Different Methods in Pricing

These are the systematic approaches used by management to determine the selling price of a dish.

- **Cost-Plus Pricing (Ingredient Mark-up):** This is the simplest method, involving calculating the raw food cost of a dish and then adding a desired percentage mark-up to cover labour, overheads, and profit. For example, if the food cost is 5 and the desired mark-up is 300%, the selling price would be 20.
- **Target Profit Pricing:** In this method, the business sets a specific overall profit goal they wish to achieve. Menu prices are then set to collectively generate the revenue needed to cover all costs and meet that specific profit target, often using detailed financial projections.

- **High/Low Pricing (Differential Pricing):** This strategy involves setting some items at a low, attractive price (loss leaders) to draw customers in, while other items are priced significantly higher to compensate and boost overall profit margins.
- **Competitor-Based Pricing:** The restaurant sets prices primarily based on what direct competitors are charging for similar items. This ensures the restaurant remains market-relevant but requires careful balancing to ensure the prices still cover the establishment's internal costs.

Chapter 2: Costing

Importance of Food Costing

Food costing is the process of determining the total cost of ingredients used to produce a single menu item. This information is vital for business success.

- **Profitability:** It provides the foundation for setting profitable selling prices, ensuring that the revenue generated covers the ingredient cost, labour, and overheads, while leaving a margin for profit.
- **Setting Prices:** Knowing the exact food cost allows management to use target food cost percentages to arrive at mathematically sound menu prices.
- **Waste Control:** By comparing the actual cost of ingredients used to the theoretical cost (based on standard recipes), costing highlights areas of waste, spoilage, or theft.
- **Financial Reporting:** Accurate food cost data is essential for producing precise income statements and key performance indicators (KPIs) to track financial health over time.

Methods of Costing

The two main ways to approach cost accounting in a food service operation relate to when the costs are determined.

- **Actual Costing (Historical Costing):** This method uses the costs that were actually incurred when the ingredients were purchased. It reflects real-world market fluctuations and is used for calculating the **actual** food cost percentage achieved during a specific operating period (e.g., a month).
- **Standard Costing (Predetermined Costing):** This method uses a pre-established, theoretical cost for each ingredient, often based on a negotiated price or a long-term average. It is used to calculate the **ideal** or **expected** food cost, providing a benchmark against which the actual performance is measured.

Costing Techniques

These are tools and methods used to analyze and manage costs for better financial control.

- **Ratio Costing (Food Cost Percentage):** This is the most widely used technique. It expresses the cost of food consumed as a percentage of food sales. The formula is: `Food Cost Percentage = (Total Food Cost / Total Food Sales) * 100`. Management typically works to achieve a target percentage (e.g., 30%).

- **Break-Even Analysis:** This technique determines the point at which total revenue equals total costs (fixed costs plus variable costs), meaning the business is neither making a profit nor incurring a loss.

  Understanding the break-even point helps managers set sales targets necessary to start generating profit.

Chapter 3: Standard Recipes

Use of Standardized Recipes

A standardized recipe is one that has been tested, adjusted, and repeated so that it consistently yields the same high-quality product when the same ingredients and procedures are followed.

- **Consistency and Quality:** This is the primary use. Every dish tastes and looks the same, regardless of the chef on duty, ensuring customer satisfaction and loyalty.
- **Cost Control:** By specifying the exact quantity and type of every ingredient, standardized recipes ensure that the ideal, theoretical food cost is achieved, eliminating unnecessary waste or over-portioning.
- **Inventory Management:** Recipes provide precise data on ingredient usage, making purchasing and stock rotation more accurate and efficient.
- **Training and Efficiency:** They simplify the training of new staff, as the methods and steps are clearly documented, reducing errors and increasing kitchen productivity.

Developing Standardized Recipes

Creating a usable standard recipe is a structured process to ensure accuracy and repeatability.

1. **Recipe Name and Classification:** Clearly name the dish and note its category (e.g., Appetizer, Sauce).
2. **Ingredient List:** List all ingredients in the order of use, specifying the exact form (e.g., chopped, diced, canned).
3. **Quantities:** Specify the precise quantity of each ingredient using standard units of measure (e.g., grams, millilitres, cups).
4. **Preparation Method:** Detail the step-by-step instructions, including mixing methods, pre-preparation work, and cooking times/temperatures.
5. **Yield and Portion Size:** Clearly state the total quantity the recipe produces (yield) and the exact size of a single serving (portion size).
6. **Equipment:** Note the specific equipment required (e.g., 8-quart stockpot, sheet pan).

Adjustment Factor

The adjustment factor (or conversion factor) is a simple mathematical tool used to scale a standardized recipe up (increase yield) or down (decrease yield).

- **Purpose:** It ensures that when a recipe is multiplied or divided, all ingredient quantities are scaled by the same factor, maintaining the correct ratios and quality of the final product.

- **Calculation:** The factor is calculated by dividing the desired new yield by the original recipe yield:

  Adjustment Factor = Desired Yield / Original Yield

- **Application:** To find the new amount for any ingredient, you multiply the original amount by the adjustment factor.

  New Ingredient Quantity = Original Ingredient Quantity * Adjustment Factor

Chapter 4: Material Costing

Material costing is the accounting process that tracks the cost of ingredients as they move from the supplier to the customer's plate. This flow ensures costs are accurately matched with the point of use.

Through Purchasing

Material costing begins here. Purchasing involves deciding *what* to buy, *how much*, and *from whom*. The cost is established when the purchase order is issued and the agreed-upon price is documented. Efficient purchasing involves negotiating the lowest possible price without sacrificing quality.

Receiving

This critical step is when ownership of the materials transfers to the establishment. Costs are verified here. The receiver must compare the delivery against the original purchase order (to check quantity and quality) and the supplier's invoice (to confirm the unit price and total cost). Any discrepancies, such as damaged goods or short weight, must be immediately documented and adjusted to ensure the recorded cost is accurate.

Issuing

Issuing is the controlled movement of ingredients from secured storage areas (storeroom, refrigerator) to the production area (kitchen). An efficient issuing system uses requisitions—formal requests for materials—to track exactly *what* was removed, *when*, and *where* it went. The cost of goods issued becomes the **Cost of Food Used** by the kitchen.

Production

In this stage, the raw materials are converted into a sellable menu item. The control aspect is vital; cooks must follow standardized recipes precisely. Material costing tracks the **actual** amount of ingredients used during the preparation process. Any discrepancies between the cost of materials issued and the theoretical cost of dishes sold highlights waste or overproduction.

Sales and Accounting

This is the final stage where the cost is matched against the revenue. The cost of food sold (COGS) is calculated and recorded in the financial ledger. The accountant links the total cost of materials used (as recorded during issuing/production) to the total revenue generated from the menu items sold. This allows for the calculation of the final, actual food cost percentage for the period.

Chapter 5: Control of Costs

Controlling costs means implementing procedures and monitoring systems to ensure actual expenses do not exceed budgeted or standard expenses, maximizing profitability.

Food Cost Control

This focuses on minimizing the cost of ingredients relative to sales. Control measures include: standardizing recipes and portion sizes; implementing strict receiving procedures to verify quality and weight; managing inventory turnover to prevent spoilage; and minimizing trim waste during preparation (e.g., using vegetable scraps for stock).

Labour Cost Control

Labour cost is often the second-largest expense. Control involves maximizing employee efficiency and managing working hours. Key techniques include: accurate sales forecasting to schedule staff appropriately (avoiding overstaffing); optimizing the employee mix (balancing high-skilled, high-wage chefs with lower-skilled staff); training employees for maximum productivity; and minimizing turnover, as hiring and training new staff is costly.

Overhead Cost Control

Overhead costs are the non-food and non-labour costs necessary to run the business. They include rent, utilities (electricity, water, gas), depreciation, and insurance. Control is achieved by: negotiating lower lease agreements; implementing energy-saving measures (e.g., LED lighting, efficient equipment); and periodically reviewing contracts for services like waste disposal and cleaning.

Miscellaneous Cost Control

This category covers various smaller costs that don't fit into the main three, such as administrative expenses, marketing, cleaning supplies, paper goods, and minor repairs. While individually small, they can add up significantly. Control is done through: setting budgets for consumables; seeking bulk purchasing discounts for supplies; and scrutinizing every expenditure to eliminate non-essential spending.

Chapter 6: Yield

Yield refers to the amount of usable product remaining after various preparation or cooking processes have been completed. It is expressed as a percentage.

Butchers Yield

Butcher’s yield (or fabrication yield) is the amount of meat, fish, or poultry that remains after all bones, fat, and trim have been removed and the product is ready for cooking or portioning.

- **Calculation:** It is calculated as: `(Weight of Usable Product / As Purchased Weight) * 100`.
- **Importance:** It helps determine the *actual* unit cost of the usable product, which is always higher than the initial purchase cost. This guides purchasing decisions (e.g., buying a whole loin vs. pre-cut steaks).

Cooking Yield

Cooking yield is the final weight of a dish after it has been cooked, relative to its weight before cooking.

- **Shrinkage:** Meats typically lose moisture and fat during cooking, resulting in shrinkage and a lower yield.
- **Absorption:** Starches (like rice or pasta) absorb liquid, resulting in a higher yield.
- **Importance:** It is crucial for accurately calculating how many portions a batch will yield, ensuring there are enough finished items for service and that the cost calculation is based on the final, cooked weight.

Portion Control

Portion control is the practice of standardizing the quantity of a finished menu item served to every customer.

- **Goal:** To ensure consistency in the dish's appearance and, most importantly, to guarantee the theoretical food cost calculated in the standard recipe is actually achieved.
- **Methods:** This is achieved using specific tools such as weighted scales, standard scoops (e.g., #10 scoop for mashed potatoes), pre-cut meat and fish portions, standardized serving spoons, and specific glassware or plate sizes. Without strict portion control, food cost quickly rises.

Chapter 7: Costs

This chapter details the specific calculations required to translate raw ingredient prices into the cost of a final dish or meal.

Determining Standard Food Cost

The standard food cost is the theoretical, ideal cost of ingredients for a single batch of a recipe, assuming zero waste and perfect efficiency.

1. **Recipe Costing:** Using the standardized recipe, multiply the required quantity of each ingredient by its current (or standard) unit price.

   Ingredient Cost = Quantity Used * Unit Price

2. **Total Batch Cost:** Sum the costs of all individual ingredients to find the total cost to produce the entire batch.
3. **Cost per Portion:** Divide the total batch cost by the number of portions the recipe is designed to yield. This final number is the standard portion cost.

Calculating Portion Cost

Calculating the portion cost involves finding the precise cost of all components that make up a single serving. This is done after the standard food cost is determined.

- **Main Item Cost:** Start with the main ingredient's cost, factoring in any yield percentages (e.g., the cost of a 6 oz cooked steak, taking into account butcher's and cooking yield).
- **Side Dish Costs:** Add the calculated costs of all complementary items, such as the scoop of rice, the ladle of sauce, and the portion of garnish.
- **Total Portion Cost:** The sum of all these components gives the exact raw material cost for one single serving of the entire plate. This cost is then used to set the menu price.

Calculating Dinner Cost

Calculating the dinner cost means determining the combined total food cost for a multi-course meal often sold as a package or a *Table d'hôte* offering.

1. **Individual Portion Costs:** First, accurately calculate the standard portion cost for every item included in the dinner (appetizer, soup, main course, dessert).
2. **Summation:** The total food cost for the entire dinner package is simply the sum of the individual standard portion costs of the included courses.
3. **Pricing Decision:** This total dinner cost is then used in the pricing formula (e.g., Cost-Plus Pricing) to determine the fixed selling price of the entire dinner package.