



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: HCM 236

COURSE TITLE: BEVERAGE MANAGEMENT

HCM 236: BEVERAGE MANAGEMENT

COURSE GUIDE

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Introduction

Beverages are potable drinks which have thirst-quenching, refreshing, stimulating and nourishing qualities. By refreshing, one means the replenishment of fluid loss from the body due to perspiration.

A successful beverage operation is much more than top-shelf cocktails. In today's market, whether running a stand-alone business or one incorporated into a restaurant, hotel or food service operation, the successful bar operator needs product and equipment knowledge, management savvy, marketing skills, insight into the latest trends, and, of course, a strong grasp of mixology.

The total responsibility for the operation of any food and beverage enterprise rest ultimately with management. A number of factors, including nature and scope of operations, will determine the extent to which the management exercise directs control as opposed to delegating responsibility to a subordinate.

In general, the larger the operation, the more likely it is that one or more subordinates will supervise and direct control procedures.

What is Need to Control?

Control is a process by which means managers attempt to direct, regulate and restrain the actions of people in order to achieve desired goals. An obvious first step is to establish goals for the enterprise. Probably the most common goal for all private enterprise is financial success, although this is by no means the only goal of business.

The food and beverage business can be characterized as one that involves raw materials purchased, received, stored and issued for the purpose of manufacturing products for sale. In these aspects many similarities exist between the hospitality industry to achieve the goal of profitable operation.

The operation of a food-and-beverage business requires policies and procedures to ensure a consistent standard of purchasing, production, and presentation.

Profitable beverage management requires many of the same controls as food production, including standard recipes, purchasing specifications, and presentation standards.

Controlling is the management process of comparing actual performance with established standards and, when necessary, taking corrective action to bring performance up to standard. Control systems in bar and beverage operations involve establishing and maintaining standards for production control, sales and profitability control, and cash control. Managers of successful bar and beverage operations repeatedly emphasize that practical bar and beverage management is control.

Regardless of how well the operating functions have been planned, bar and beverage operation seldom work out as planned. Envision the operating function as a path to travel down to reach perfect combination of guest satisfaction and operational profitability. Bar control systems enables one to keep one's strategic plans moving down this part with only slight deviations. Bar and beverage managers who develop and consistently monitor a control system are more apt to reach their established goals.

What you will learn in this Course

During this course, the students will learn about:

Definitions and categories of beverages

Service of beverages

Beverage merchandizing

Purchasing of beverages
Receiving of beverages
Storing and issuing of beverages
Beverage production control
Beverage control
Beverage revenue control systems
Analysis of financial statement
Internal control

Working through this Course

For a successful completion of this course, one is required to go through the study units, reference books, and other resources that are related to each unit.

The Tutor-Marked Assignments (TMA) should be done immediately and submitted to the Course Facilitator.

The medium and time for the submission of the TMA will be specified later. This is a two (2) credit unit course, and so you are expected to spend a minimum of two (2) hours on it weekly. It is expected that you complete the entire course outline in 18 – 25 weeks.

Course Evaluation

As earlier stated, every unit of this course has an assignment section which you are expected to do at the end of the unit. You are required to keep an assignment file. At the end of the course, the evaluation shall be as follows:

Assessment	Marks
Assignments	30%
Examination	70%
Total	100%

Out of all the assignments you will do, each shall be marked and converted to 3%. At the end, the best ten (10) shall be selected to make up 30%. The examination at the end of the course shall cover all aspects of the course.

Study Units

The study topics to be discussed have been grouped in units and modules as shown below:

Module 1

Unit 1 Definitions and categories of beverages

- Unit 2 Service of beverages
- Unit 3 Beverage merchandizing
- Unit 4 Purchasing of beverages

Module 2

- Unit 1 Receiving of beverages
- Unit 2 Storing and issuing of beverages
- Unit 3 Beverage production control
- Unit 4 Beverage control

Module 3

- Unit 1 Beverage revenue control systems
- Unit 2 Analysis of financial statement
- Unit 3 Internal control

The units shall be treated in sequential order.

Textbooks and References

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ

Dennis Lillicrap and John Cousins (2006) Food and Beverage Service 7th edition. Hodder Arnold

Kotschevar, L. H., & Tanke, M.L. (1996). Managing Bar and Beverage Operations. East Lansing, Michigan: Educational Institute.

David Foskett and Victor Ceserani (2007) The Theory of Catering 11th edition. Hodder Education

Presentation Schedule

Specific dates for particular activities, such as submission of assignments, tutorial schedules and examination dates shall be made available to you at a later date. This will enable you plan your activities in the same line. The method of submitting your assignments and receiving other course materials shall

be agreed upon on a later date. You should endeavour not to fall behind the schedule whenever it is given.

Conclusion

By the time you go through all the modules and units, you will be well grounded in wine and food pairing principles.

COURSE DEVELOPMENT
HCM 236
BEVERAGE MANAGEMENT

COURSE MAIN TEXT

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Module 1

Unit 1 Definitions and Categories of beverages

Unit 2 Service of beverage

Unit 3 Beverage merchandizing

Unit 4 Purchasing beverages

UNIT 1 DEFINITIONS AND CATEGORIES OF BEVERAGE

CONTENT

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main content
 - 3.1 Definitions
 - 3.2 Classification of beverages
 - 3.2.1 Alcoholic beverages
 - 3.2.2 Alcoholic content of beverages
 - 3.2.3 Non-alcoholic beverages
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 Introduction

The success of an ongoing catering operation depends on the operational controls management establishes for monitoring the daily productivity and profitability of the business.

We learn that an adequate supply of water is essential for the proper functioning of all living tissues. This applies equally to man, but he, unlike the rest of the animal world, learned long ago to add substances to the fluids which he drank in order to make them both stimulating and palatable. The action resulted in the beverages we have today.

2.0 Objectives

At the end of the unit, the students should explain:
The meaning of operational control
The meaning of beverage and beverage management.
The categories of beverages.

3.0 Main content

3.1 What is beverage

There are several definitions of beverage:

- Beverage is any potable liquid other than water.

- Beverage is a drink artificially prepared and of an agreeable flavour.
- A beverage, or drink, is a liquid which is specifically prepared for human consumption. The word "Beverage" has been derived from the Latin word "bever" meaning rest from work. It fulfils a basic need of man. After work, one tends to feel thirsty due to fluid loss through perspiration and one is inclined to drink water or other potable beverages to compensate fluid loss. In addition to fulfilling a basic need, drinks form part of the culture of human society. Despite the fact that all beverages contain water, water itself is not classed as a beverage. The word beverage has always been defined as not referring to water.

Most beverages contain water. Water restores fluids lost through metabolism, breathing, sweating and the removal of waste. Sweetened Sugar, high-fructose corn syrup or other high-calorie sweeteners enhance the sweetness of many beverages. Such beverages include carbonated and non-carbonated soft drinks, fruit drinks and lemonade. Many people drink coffee and tea with sugar. After water, tea and coffee are the two most commonly consumed beverages on the planet. Nutrients Beverages with nutrients include fruit juice, vegetable juice, whole milk, sports drinks, vitamin-enhanced waters and alcoholic beverages. One hundred percent fruit juice contains most of the nutrients of the fruit itself, but also delivers more energy. Vegetable juice can be a lower calorie alternative to fruit juice. Whole milk is a good source of calcium and vitamin D. Skim milk has half the calories of whole milk.

Beverage Management

Beverage management is the control of all the processes involved in the stages of the lifecycle of a beverage. Beverage development and product marketing are different but they complement efforts towards maximizing beverage sales revenues. The role of beverage manager spans many activities from strategic to tactical. Though involved with the entire product lifecycle, the focus of beverage management is on driving new product development and sales of existing drinks.

Operational control

Operational control comprises all the functions carried out within a foodservice operation to ensure that food-and-beverage products meet established standards of quality as efficiently as possible. Operational controls cover

the following areas:

Costing

Pricing

Purchasing

Production

Presentation

Service

Purchasing controls define the criteria for quality by which food items are selected. These criteria, combined with established food-cost goals, determine which products are purchased. Professional purchasing requires knowledge of a wide range of food products and their expected yields. An awareness of waste-reducing and labor-saving products and their applications can enhance the

profitability of a catering service operation.

Production controls ensure consistency in the amount of each ingredient used, the set of directions followed, the number of portions yielded, and the taste and texture obtained each time a food product is prepared. To accomplish this goal, a standard recipe for a specific portion size and yield must be developed for every item in the menu file.

Presentation controls establish guidelines for the size and type of dish or glass to be used, the portion size of the food or beverage product, and the sauce and/or garniture. Often called plate architecture, plate presentation is important for maintaining customer satisfaction as well as standardizing costs.

3.2 Classification of beverages

The beverages can be categorised into two main groups namely:

- Alcoholic beverages
- Non-alcoholic beverages

3.2.1 Alcoholic beverages

Brief description of alcoholic beverages

An alcoholic beverage is a drink containing ethanol, commonly known as alcohol. Ethanol is a psychoactive drug, with a depressant effect. Significant blood alcohol content may be considered legal drunkenness as it reduces attention and slows reaction speed. Ethanol is a psychoactive drug with a depressant effect. Many societies regulate or restrict its sale and consumption.

Alcohol has been widely consumed since prehistoric times by people around the world, as a component of the standard diet, for hygienic or medical reasons, for its relaxant and euphoric effects, for recreational purposes, for artistic inspiration, as aphrodisiacs, and for other reasons. Some drinks have been invested with symbolic or religious significance suggesting the mystical use of alcohol.

Alcoholic beverages can be addictive and the state of addiction to ethanol is known as alcoholism. They are legally consumed in most countries, and many countries have laws regulating their production, sale, and consumption. In particular, such laws specify the minimum age at which a person may legally buy or drink them. This minimum age varies between 16 and 25 years, depending upon the country and the type of drink. Most nations set it at 18 years of age.

The production and consumption of alcohol occurs in most cultures of the world, from hunter-gatherer peoples to nation-states. Alcoholic beverages are often an important part of social events in these cultures. In many cultures, drinking plays a significant role in social interaction — mainly because of alcohol's neurological effects.

Types of alcoholic beverages

Alcoholic beverages can be classified into:

- Fermented Alcoholic Beverages
- Distilled Alcoholic beverages
- Compound Beverages

Fermented Alcoholic Beverages

In fermentation process, certain yeasts decompose sugars, in the feed stock in the absence of oxygen, to form alcohol and carbon dioxide; method for production of ethanol, wine, and beer. Low alcohol-content drinks are produced by fermentation of sugar or starch-containing products, and high-alcohol ones are produced by distillation of these low alcohol products.

Wines

Wines are an alcoholic beverages produced through the partial or total fermentation of grapes. They can also be made from a variety of fruits, such as grapes, berries, peaches, plums cherries, dandelions, or apricots. The most common wines are produced from grapes. The soil in which the grapes are grown and the weather conditions in the growing season determine the quality and taste of the grapes which in turn affects the taste and quality of wines. When ripe, the grapes are crushed and fermented in large vats to produce wine.

Wine involves a longer fermentation process than beer and also a long aging process running into months or years, resulting in an alcohol content of 9%–16% ABV

Sparkling wine can be made by means of a secondary fermentation.

Fortified wine is wine to which a distilled beverage (usually brandy) has been added.

Some popular type of wine are Table wine, Sangria, Sparkling wine, Champagne, Fortified wine, Port, Sherry, Vermouth etc.

Beer

Beer is the one of the world's oldest and most widely consumed alcoholic beverages and the third most popular drink overall after water and tea. It is produced by the brewing and fermentation of starches which are mainly derived from cereal grains—most commonly malted barley although wheat, maize(corn, and rice) are also used.

A liquid mix, called wort, is prepared by combining yeast and malted cereal, such as corn, rye, wheat or barely. Fermentation of this liquid mix produces alcohol and carbon dioxide. The process of fermentation is stopped before it is completed to limit the alcohol content. The alcohol so produced is called beer.

The two main types of beer are lager and ale. These are clear and sparkling. Ale is further classified into varieties such as pale ale, stout, and brown ale. Stout is another beer which is stronger and coloured.

Most beer is flavored with hops, which add bitterness and act as a natural preservative. Other flavorings, such as fruits or herbs, may also be used. The alcoholic strength of beer is usually 4% to 6% alcohol by volume (ABV), but it may be less than 2% or as much as 12%.

Beer is part of the drinking culture of various nations and has acquired social traditions such as beer festivals, pub games, and pub crawling.

The basics of brewing beer are shared across national and cultural boundaries. The beer-brewing industry is global in scope, consisting of several dominant multinational companies and thousands of smaller producers, which range from regional breweries to microbreweries.

Alcoholic beverages that are distilled after fermentation, are fermented from non-cereal sources such as grapes or honey or are fermented from unmalted cereal grain and not classified as beer.

Distilled Alcoholic beverages

Spirits

These are unsweetened, distilled, alcoholic beverages that have an alcohol content of at least 20% ABV. Spirits are produced by the distillation of a fermented base product. Distilling concentrates the alcohol and eliminates some of the congeners. Examples of spirits are:

Whisky is made by distilling the fermented juice of cereal grains such as corn, rye or barley. Scotch whisky was originally made in Scotland. The word "Scotch" has become almost synonymous with whisky of good quality.

Rum

This is a distilled beverage made from fermented molasses or sugarcane juice and is aged for at least three years. Caramel is sometimes used for colouring. Rum is a distilled beverage made from sugarcane byproducts such as molasses and sugarcane juice by a process of fermentation and distillation. The distillate, a clear liquid, is then usually aged in oak and other barrels. Rum is produced in a variety of styles. Light rums are commonly used in cocktails, while golden and dark rums are appropriate for use in cooking as well as cocktails. Premium brands of rum are also available that are made to be consumed neat or on the rocks.

Brandy

Brandy is a general term for distilled wine, usually containing 40–60% ethyl alcohol by volume. In addition to wine, this spirit can also be made from grape, pomace, or fermented fruit juice. It is normally consumed as an after-dinner drink. Brandy made from wine is generally coloured with caramel to

imitate the effect of long aging in wooden casks; pomace and fruit brandies are generally drunk unaged, and are not usually coloured.

Vodka

Vodka is one of the world's most popular distilled beverages. It is a clear liquid containing water and ethanol purified by distillation from a fermented substance such as potatoes, grain or sugar beet molasses, and an insignificant amount of other substances: impurities and possibly flavourings. Except for various types of flavourings, vodka is a colourless liquid. Vodka usually has an alcohol content of 35% to 50% by volume. Vodka is a Russian delight.

Compound Beverages

Distilled beverages with added flavorings and relatively high sugar content are generally referred to as compound beverages.

Liqueurs are made by adding sugar and flavouring such as fruits, herbs or flowers to brandy or to a combination of alcohol and water. Most liqueurs contain 20-65 per cent alcohol. They are usually consumed in small quantities after dinner.

Gin

Gin is a spirit flavoured with juniper berries. Distilled gin is made by redistilling white grain spirit which has been flavoured with juniper berries. Compound gin is made by flavouring neutral grain spirit with juniper berries without redistilling and can be considered flavoured vodka. The most common style of gin, typically used for mixed drinks, is London dry gin.

Cocktail

The term cocktail is now recognised to mean all mixed drinks.

Types of cocktails

Included under the heading 'cocktails' come those drinks known as:

- Blended drinks: Using a liquidizer
- Champagne Cocktails: Such as 'Bucks Fizz' which has the addition of orange juice
- Cobblers: Wine and spirit based, served with straws and decorated with fruit
- Collins: Hot weather drinks, spirit based, served with plenty of ice
- Coolers: Almost identical to the Collins but usually containing the peel of the fruit cut in a spiral; spirit or wine based
- Crustas: May be made with any spirit, the most popular being brandy; edge of glass decorated with powdered sugar; crushed ice placed in glass
- Cups: Hot weather, wine based drinks
- Daisies: Made with any spirit; usually served in tankards or wine glasses filled with crushed ice
- Egg Nogs: Traditional Christmas drink; rum or brandy and milk based; served in tumblers
- Fixes: Short drink made by pouring any spirit over crushed ice; decorated with fruit and served with

short straws

- Fizzes: Similar to a Collins; always shaken and then topped with soda; must be drunk immediately
- Flips: Similar to Egg Noggs, containing egg yolk but never milk; spirit, wine or sherry based
- Frappés: Served on crushed ice
- Highball: 'American', simple drink that is quickly prepared; spirit with 'mixer'
- Juleps: 'American', containing mint with claret, madeira or bourbon whisky base
- Pick-Me-Ups: To aid digestion
- Pousse-Café: Specific densities; layered
- Smashes: Smaller version of a julep
- Sours: Always made with fresh juices to sharpen the flavour of the drink
- Swizzles: Take their name from the stick used to stir the drink; 'Swizzling' creates a frost on outside of glass
- Toddies: Refreshers that may be served hot or cold; contain lemon, cinnamon, nutmeg

3.2.2 Alcohol content of beverages

The concentration of alcohol in a beverage is usually stated as the percentage of alcohol by volume (ABV) or as proof.

In the United States, *proof* is twice the percentage of alcohol by volume at 60 degrees Fahrenheit (e.g. 80 proof = 40% ABV). Degrees proof were formerly used in the United Kingdom, where 100 degrees proof was equivalent to 57.1% ABV. Historically, this was the most dilute spirit that would sustain the combustion of gunpowder.

Ordinary distillation cannot produce alcohol of more than 95.6% ABV (191.2 proof) because at that point alcohol is an azeotrope with water. A spirit which contains a very high level of alcohol and does not contain any added flavoring is commonly called a neutral spirit. Generally, any distilled alcoholic beverage of 170 proof or higher is considered to be a neutral spirit.

Most yeasts cannot reproduce when the concentration of alcohol is higher than about 18%, so that is the practical limit for the strength of fermented beverages such as wine, beer, and sake. Strains of yeast have been developed that can reproduce in solutions of up to 25% ABV.

3.2.3 Non-alcoholic beverages

A non-alcoholic beverage is a beverage that contains no more than 0.5% ABV. Such drinks are generally drunk for refreshment, or to quench people's thirst. Non-alcoholic mixed drinks (including punches, "virgin cocktails", or "mocktails") are often consumed by children, people whose religion restricts alcohol consumption, recovering alcoholics and anyone wishing to enjoy flavourful drinks without alcohol.

The category includes drinks that traditionally have no trace of alcohol such as sodas, juices, and sparkling ciders. It also includes drinks that have undergone an alcohol removal process such as non-alcoholic beers and de-alcoholized wines. Non-alcoholic drinks account for the vast majority of the

beverage market. These drinks are generally chosen for refreshment purposes, to quench people's thirsts.

Non-alcoholic beverages can be mainly classified as hot and cold beverages.

Cold Drinks

Aerated drinks

These beverages are charged or aerated with carbonic gas. The charging with carbonic gas imparts the pleasant effervescent characteristic of these beverages. Carbonation occurs when carbon dioxide is dissolved in water or an aqueous solution. This process yields the "fizz" to carbonated water and sparkling mineral water. Example: soda water, dry ginger, fizzy lemonade, ginger beer, coca-cola, pepsi, and others.

Spring water/ Mineral water

Spring water is the water derived from underground formation from which water flows naturally (artesian) to the surface of the earth. Minerals become dissolved in the water as it moves through the underground rocks. This may give the water flavor and even carbon dioxide bubbles, depending upon the nature of the geology through which it passes. This is why spring water is often bottled and sold as mineral water.

Mineral water is the water containing minerals or other dissolved substances that alter its taste or gives it therapeutic value. Salts, sulfur compounds, and gases are among the substances that can be dissolved in the water. Mineral water can often be effervescent Mineral water can be prepared or can occur naturally.

.Squash

Squash is a highly-sweetened (and often fruit-based) concentrate, which is diluted with a liquid, most commonly water, before drinking. Typically, squash is created by mixing one part concentrate with four or five parts of water (depending on concentration and personal taste) directly into a glass or mug or into a jug. Squashes are also mixed with spirits or cocktails.

The most common flavours are orange, apple and blackcurrant, lemon, peppermint, mixed fruit, summer fruits, and lemon-lime. Other flavours include peach, strawberry, passion fruit, custard apple and kiwi fruit.

Juices

Juice is a liquid naturally contained in fruit or vegetable tissue. Juice is prepared by mechanically squeezing or macerating fresh fruits or vegetables without the application of heat or solvents. For example, orange juice is the liquid extract of the fruit of the orange tree. Juice may be prepared in the home from fresh fruits and vegetables using variety of hand or electric juicers. Many commercial juices are filtered to remove fiber or pulp, but high pulp fresh orange juice is marketed as an alternative. Juice may be marketed in concentrate form, sometimes frozen, requiring the user to add water to reconstitute the liquid back to its "original state". (Generally, concentrates have a noticeably

different taste than their comparable "fresh-squeezed" versions). Other juices are reconstituted before packaging for retail sale. Common methods for preservation and processing of fruit juices include canning, pasteurization, freezing, evaporation and spray drying.

Syrup

Syrup is a thick, viscous liquid, containing a large amount of dissolved sugars (60 to 65% brix), but showing little tendency for crystallisation of dissolved sugar. The main use of these concentrated sweet fruit flavourings is as a base for cocktails, fruit cups or mixed with soda water as a long drink. Some examples of syrup are orgeat (almond), cassis (blackcurrant), citronelle (lemon), framboise (raspberry) and cerise (cherry)

Hot Drinks

Tea

Tea is prepared from the leave bud and top leaves of a tropical evergreen bush called *Camelia sinensis*. It produces what is regarded as a healthy beverage containing approximately only half the caffeine of coffee and at the same time it aids muscle relaxation and stimulates the central nervous system. Tea is one of the most widely-consumed stimulant beverages in the world. It has a cooling, slightly bitter, astringent flavor. It is regarded as a profitable beverage with caterers serving more than 10 billion cups a year.

The forms of tea are:

Bulk (leaf): allowing for the traditional method of serving.

- Tea bags: are heated sealed and contain either standard or specialty teas. These tea bags come in one cup, two cup, pot for one or bulk brew form.
- String and tag: this comes as a one cup bag with string attached and a tag that remains outside the cup or teapot for easy and quick identification of the tea by the customer.
- Envelopes: this is again a string and tag but in an envelope for hygienic handling. It is regarded as ideal for trays in a room service operation.
- Instant: instant tea granules

Coffee

Coffee is a natural product grown in many countries of the tropical and sub-tropical belt in South and Central America, Africa and Asia. It is grown at different altitudes in different basic climates and in different soils and is looked upon as an international drink consumed throughout the world.

Brazil is the world's largest coffee grower, Columbia is second, the Ivory Coast third and Indonesia fourth. The trees which produce coffee are the genus *Coffea* which belongs to the Rubiaceae family. There are somewhere in the region of 50 different species although only two of these are commercially significant. These are known as *Coffea arabiac* and *Coffea camephora* which is usually referred to as robusta. Arabiaca accounts for 75% of world production.

The coffee tree is an evergreen shrub. The fruit of the coffee tree is known as the cherry and these are about 1,5cm long. The cherry usually contains two coffee seeds.

Coffee is a widely consumed stimulant beverage prepared from roasted seeds, commonly called coffee beans, of the coffee plant. Once brewed, coffee may be presented in a variety of ways:

Drip brewed, percolated or French-pressed.

Cafetière coffee may be served with no additives (colloquially known as black) or with sugar, milk or cream, or both. When served cold, it is called iced coffee.

Making coffee

The rules to be observed when making coffee are as follows:

- Use freshly roasted and ground coffee
- Use the correct grind for the type of machine in use
- Ensure all equipment is clean before use
- Use a set measure of coffee to water
- Add boiling water to the coffee and allow to infuse
- The infusion time must be controlled according to the type of coffee being made and the method of making it.
- Control the temperature since to boil coffee is to spoil coffee, the coffee develops a bitter taste
- Strain and serve
- Add milk and cream separately
- The best serving temperatures are 82 C for coffee and 68 C for milk.

Forms of coffee:

Instant coffee involves the mixing of soluble coffee solids with boiling water.

Served black the coffee is known as Espresso and served in a small glass cup (demi-tasse).

Espresso can be transformed into different types of coffees with the addition of milk or froth (foamed milk).

Cappuccino is espresso with the addition of milk and milk foamed milk.

Latte is espresso with steamed milk

Caffe macchiato is an espresso with a dollop of foamed milk

Caffe mocha is espresso with steamed milk, cocoa or chocolate syrup and foamed milk.

Americano is espresso and hot water, classically using equal parts each.

Decaffeinated coffee is coffee is made from beans after the caffeine has been extracted.

Iced coffee is coffee that is strained and chilled. It may be served with milk, cream, ice cream or flavoured with syrups. It is served in a tall glass.

Turkish or Egyptian coffee is made from darkly roasted mocha beans which are ground to a fine powder. The coffee is made in special copper pots. The sugar is added while brewing and it is never stirred. It may also be flavoured with vanilla pods.

Irish and speciality coffees

A classic Irish coffee consists of hot coffee, Irish whiskey, and sugar, with double cream whipped until it begins to stiffen, floated on top.

Cocoa it is a powder made from cacao seeds (bean) after they have been fermented, roasted, shelled, ground, and freed of most of their fat. A beverage is made by mixing this powder with sugar in hot water or milk. It is a rich source of theobromine which acts as a stimulant.

With the increased market focus on health and wellness, it is likely that the non-alcoholic beverage market will be a source of growth and development in the coming years. Growing markets in both coffee and tea beverages are currently leading the non-alcoholic market. Studies have shown that coffee may possess health benefits. These same benefits are being investigated in tea beverages as well.

Non-alcoholic beer and non-alcoholic wine undergo an alcohol-removal process that may leave a small amount of alcohol, (the exact percentage varies by country). Because of this, some states have legal restrictions on non-alcoholic beer and wine.

4.0 Conclusion

This unit has given the definitions of beverage and its management. It has also tried to show and explain the various categories of beverage.

5.0 Summary

Beverage is a liquid which is specifically prepared for human consumption. It is classified beverages into alcoholic and non-alcoholic beverages.

Examples of alcoholic beverages are:

Beer, wine, brandy, whisky, vodka, gin, liqueur etc,

Examples of non-alcoholic beverages are:

aerated drinks, juices, squash, tea, coffee, cocoa etc

6.0 Tutor-Marked Assignment

Explain the terms

Beverages

Beverage management

Compound beverages

Distilled alcoholic beverages.

Write short notes on:

Hot drinks

Fermented alcoholic beverages

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ

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Kotschevar, L. H., & Tanke, M.L. (1996). Managing Bar and Beverage Operations. East Lansing, Michigan: Educational Institute.

2.0 Service of beverages

1.0 Introduction

2.0 Objective

3.0 Main content

3.1 Pricing of beverages

3.2 Beverage menu/lists

3.3 Service of beverages

3.3.1 General rules for serving of wine

3.3.2 Service of Wine in Restaurants

3.3.3 Stocking a bar

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Reading

1.0 Introduction

Beverage service is the flow of the beverage from the purchasing of the beverage to the service of the beverage to the customer. It is mainly concerned with the delivery and presentation of the beverage to the customer, after completion of the production of the beverage.

2.0 Objectives

At the end of the unit, the students will be able to explain:

The pricing of beverages

The aim of beverage menu

The service of wines

3.0 Main content

3.1 Pricing of beverages

Bar drinks should be priced to maintain a steady profit margin and simplified for the staff and customers. There is no set rule when it comes to the exact price of a bar drink. A drink with identical ingredients at another establishment may have a vastly different price. Beverage pricing tiers help create a pattern that is easy to explain and understand.

The pricing of beverages is similar to the pricing of foods. The first step is usually to set the desired profit target and the gross profit percentage. Then the differential profit margins based on the sales mix that is achievable is set. Then the drink price can be worked out.

Another method for setting the price is shown below:

Divide the cost of each bottle by the total number of fluid ounces to figure the price per ounce of each ingredient. For example, a bottle that costs ₦25 and holds around 25 oz. would be ₦1 per ounce.

Total the cost for the ingredients in each drink. For example, a drink containing 1 oz. of liquor at 70 kobo an ounce and 1 oz. of liquor at ₦1 an ounce would have a total cost of ₦1.70. Multiply the price per ounce by the number of ounces the serving glass holds to set the cost.

Multiply the cost by four for a 25 percent liquor cost or five for a 20 percent cost margin. Triple the drink cost to maintain a 67 percent profit over alcohol cost at discount establishments and for temporary happy hour pricing. Multiply the cost by six or seven for high end restaurant and hotel bars.

Round up the prices to the nearest quarter. Customers and bar staff get slowed down if they have to deal with small change.

Create groups of liquors, beers and wines that have similar prices to create a two or three pricing tiers. Increase the prices of all the other drinks in each tier to the price of the most expensive drink in the group.

Charge for drinks

There are various methods of charging drinks. These methods could be applied in open bars or used to price drinks for events. They include:

Charge per drink

Cash bars typically charge per drink. The price is set high enough to cover other expenses. The facility tallies the per-drink charge and presents a single check to the function host, or to the guests.

When setting prices, facilities ensure that the cost is a standard percentage of the total beverage sales so the house is guaranteed a certain profit margin. For example, mixed-drink prices usually are based on a beverage cost percentage of 12 percent to 18 percent of the total sales; wines and beers usually are priced to yield a beverage cost percentage of 25 percent.

Some facilities will waive bartender charges if the beverage sales reach a predetermined amount. A meeting planner may negotiate to have the facility waive corkage fees (charge to open the bottles).

The price-per-drink method can also be used for open bars. Bartenders can track all drinks served by ringing up each one on a pre-check machine. At the end of the event, the count is computed, and the number of drinks consumed is multiplied by the agreed-upon price per drink, adding the consumption taxes and gratuities for the final accounting.

Charge per bottle

An inventory of all liquor is made at the beginning and end of the beverage function to determine liquor use. Most facilities will charge the client for each opened bottle, whether empty or not. In a hotel, the remaining liquor can be sent to the host's suite or to a hospitality suite. Or, if the client has booked several catering events during a convention, leftover opened liquor can be used at the next function.

You may save a bit of money using this pricing method. For example, if a liter of gin yields 27 one-and-a-quarter ounce drinks at a price of \$5 each, the expected revenue is \$135 per liter. Generally the per-bottle charge in this situation will be a little less.

Charge per person

This pricing option usually is available to clients who want to offer an open bar. Since the open bar reduces the facility's control over liquor consumption, the price per person usually is set fairly high to ensure profitability. The amount charged per guest may also include a charge for food and beverage. The client's final billing usually is based on the type and amount of foods and liquors desired and the amount of time the bar must remain open.

Charge per hour

The major difference between per-person pricing and this method is a sliding scale of charges. For instance, for 150 guests, a client may have to pay \$20,000 for the first hour of standard bar service and \$15,500 for the second hour. Since most guest consumption usually takes place in the first hour, the caterer can offer a lower price for the second hour and still earn a fair profit. When using this pricing procedure, you must have a guaranteed minimum number of guests expected before you can receive a quote.

The per-hour pricing strategy may be combined with the per-person pricing method. You might pay \$250 per person for the first hour, \$200 per person for the second hour, and so forth.

Flat-rate charge

This is similar to the per-guest pricing. In this method, one pays one bottom-line charge for the function. The flat-rate charge is usually based on the assumption that each guest will consume an average of two drinks during the first hour, and one drink per hour thereafter. The charge usually varies according to the number of guests expected and the amount of call and premium brands requested. The flat-rate charge is the easiest way to purchase a beverage function: No matter how many drinks guests consume, you know the price in advance. You do not have to worry about exceeding your budget. And there is no need to wait for a liquor inventory or drink audit.

3.2 Beverage menu/lists

The main aim of a beverage menu/list is to inform the customers in clear terms of what is available to them. Normally, the beverage menu is used as a selling tool, and so with the use of well planned and advertising techniques, will direct the customer as to what to buy. However, it has to be emphasized that it is the ability of the sommelier to interest and gain the confidence of a customer that will likely make such a customer purchase a drink. Profits from beverages are higher than foods; hence adequate attention should be paid to this area to obtain the full benefit.

Beverage lists should be prepared specifically for the area where they are sold. This is because the requirements vary greatly. For example, a restaurant that is themed to be in the Italian style, serving authentic Italian food would need to prominently feature Italian drinks. Using general purpose drink list would not be suitable, and would not highly aid sales.

Types of beverage menus

There are numerous types of beverage menus, but for the sake of simplicity, they may be grouped into:

- Wine menus
- Bar menus
- Room service beverage menus
- Special promotion beverage menus

Wine menus

Wine menus may be subdivided into:

i. Full wine menu

This is a kind of wine menu used where the average spending power of the customers is high, and the time available to them for their meal is upwards of 1½ hours. It is difficult sometimes to design full wine menus because certain wines must be on the menu; and the selection of wines within the various types to ensure correct balance and restriction of choice to reasonable limits makes it more difficult.

A full wine list is bulky. Because of the size and cost, most establishments prefer having the menu in loose-sheet form inside a quality cover. This way, the individual pages can easily be updated when the need arises and replaced.

It is also a practice to give a brief description of the major wines on this list.

ii. Restricted wine menu

This is normally used where the demand for full wine menu is very limited or when the service of a highly skilled wine waiter is not required. This menu is usually prepared by analysing previous wine sales, and it will feature only a few well known branded wines which many of the customers can identify with. Of course, the price range here will be lower than in the full wine menu and will bear some relationship with the food menu price. The sale of wine here is by the carafe and by the glass.

iii. Banquet/function wine menu

This menu is of the restricted type because it offers fewer wines than the full wine menu. The items on the menu will relate to the type of banquet. However, there is this general rule of offering wines with varying price range in order to suit a wide range of customers and their tastes. Banquet wine menu will also offer some well known branded wines.

The caution is that care must be taken with regard to mark-up so as not to create customer annoyance as majority of the customers will know the price of these wines in the local super market.

Bar menu/Lists

There are basically two types of this menu:

- The large display of beverages and their prices normally located at the back of the bar or to the side. In some countries, it is even a legal requirement.
- A small printed menu placed on the bar and on tables in the bar area.

The large display of items and prices is used in a general type of bar where everyday type of drinks are served, while the small printed menus are found in the lounge and cocktail bars. The cocktail bar menu will usually contain cocktails, mixed drinks, sherries and ports, liqueurs and brandies, wines as well as minerals and cordials. This menu does not need to follow a particular pattern; rather the emphasis should be on merchandising specific items.

Room Service beverage menu

The size and type of this menu will depend on the standard of the hotel and the level of room service offered. If in a luxury hotel, the room service menu will be quite extensive. It will combine items from the full wine list and the bar menu. As a result of the high labour cost for room service staff, most hotels provide a small refrigerator stocked with a limited quantity of basic drinks.

Many types of beverage units are available for use in the bedrooms, some of which include a computer based control system that automatically records removal of any item from the unit and records it as a charge to the customer.

Special promotion beverage menu

This takes such forms ranging from free pre-function reception to promote a particular beverage to the promotion of after-lunch and after-dinner liqueurs by the use of attractive tent cards; or to the promotion of the cocktails of the month.

Most times, assistance with beverage promotional menus are willingly given by the suppliers by providing free advertising and promotional materials, as well as by offering the particular beverage free or at a special purchase price.

3.3 Service of beverages

3.3.1 General rules for serving wines

Practices for serving different kinds of wine with each food course are seldom observed today except in very formal occasions or for a special gastronomic event. However, there are some aspects of the practice that have stood the test of time and still being practised today:

- The progression of wines in a menu would be that white and delicate wines would be served before fuller bodied wines, simple wines served before the higher quality wines, and young wines are served before the older wines.
- When several wines are to be served with a menu, the accepted order of service is dry wines first followed by red wines and finishing with sweet wines.
- Wines from several countries may be served with a meal provided that there is an affinity between the different wines and that they are accepted partners with the meal.
- Champagne may be served throughout a meal with a dry champagne being served with all courses other than with the sweet course when a semi-sweet champagne would be most suited.
- Rose wines may also be served throughout a menu although it would be unusual for a formal or gastronomic occasion.
- Dry wines are normally served with fish, shellfish and white meats such as poultry, pork and veal.
- Red wines are normally served with red meats such e.g. beef, game.
- Sweet wines are normally served with the sweet course.
- Port is accepted as being ideal for serving with cheese and dessert.

Service of Wine

Wine is an integral part of a fine dining experience in a restaurant. In many restaurants the wine service will be more relaxed than the formal service but the basics are still the same.

Serve wine at correct temperatures

It is extremely important to know at what temperature you should serve wines.

Temperature °C	Type of Wine
18	top quality red wine – burgundy, Bordeaux
16	sweet dessert wine – port, sweet sherry, Marsala
14	red wine

12	table red wine, aperitif wines – vermouth, dry sherry
11	Rose and blanc de noir
10	top quality white wine
8	white wine
6	sparkling red wine
5	champagne and sparkling wine

Wine List

After the guest is seated, the wine list is presented. It may be given by the Maitre 'd, hostess, sommelier or waiter.

Ordering Wine

Once the wine has been selected, ordered and verified, the wine waiter goes ahead with other processes that follow.

Dealing with the Cork

Once the bottle has been approved, the waiter will remove the cork with a corkscrew. It is acceptable for the bottle to be placed on the table for stability; or a more accomplished waiter may hold the bottle in the air. In either instance, the waiter is usually standing to the right of the wine host. Once the cork is removed, it will be placed next to the wine host for inspection

Opening the wine

- Hold the bottle in one hand at a 45° angle, at waist height. If you are right-handed hold in your left hand and vice versa.
- Open the blade on your waiter's friend (bottle opener).
- Carefully cut the foil/plastic on the top of the bottle, just on the ridge below the top of the bottle.
- Put the cut foil in your pocket, and close the knife of the waiter's friend.
- According to organisational requirements, wipe the top of the bottle with your service cloth.
- Open the corkscrew on the waiter's friend.
- Hold the neck of the bottle firmly in one hand and insert the corkscrew in the centre of the cork.
- Turn the corkscrew in a clockwise direction, ensuring it goes down the centre of the cork.
- Tilt the arm of the waiter's friend and rest the lever in the lip of the bottle, and hold the lever in place with your index finger.
- Pull the opposite end of the waiter's friend to extract the cork. Do this carefully so as not to damage the cork.
- This process should be done quietly. Avoid letting the cork 'pop' when it is taken out of the bottle.

- Remove the cork from the corkscrew and place it on a side dish for the host to inspect. If the name of the winery is on the cork, face it towards the host.
- Return the waiter's friend to your pocket.
- If organisational requirements state, wipe the lip of the bottle with your service cloth.

Tasting the Wine

Once the bottle has been opened, Pour a small amount (a mouthful) into the host's glass. The bottle must never touch the glass.

This is an opportunity for the bottle to be approved or rejected. It is possible for a wine to be 'corked', oxidized, light-struck or have some other flaw that would make it unsuitable for consumption. These conditions rarely occur with most wines but can increase in older or poorly stored wines. If the wine host should detect one of these conditions, the waiter should be informed and the bottle rejected. If a bottle is rejected, it will be removed and either replaced with another bottle of the same wine or a different wine could be suggested by the waiter. In the great majority of cases, the wine will be perfect and that should be communicated to the waiter.

Pouring the Wine

When the host has approved the wine:

Fill the guests' glasses – two thirds for white and half for red

The proper etiquette is for the waiter to pour the wine for the ladies first. Start with the guest on the hosts left and work in a clockwise direction finishing with the host. An exception to this rule is that a guest of honour should be served before other guests regardless of gender. In a banquet setting with about eight or more guests at a table, the waiter may pour around the table clockwise from the wine host to all guests regardless of gender

- Pour all glasses from the guest's right.
- Make sure you have enough wine for all the guests. There are 5 glasses of wine in a bottle, but if there are more than 5 people and only one bottle of wine, the waiter may suggest to the host that another bottle is in order. Whatever the decision of the host, the waiter should ensure that all guests receive a nearly equal amount even if it means that guests receive less than a normal pour.

Only a very poor waiter will run out of wine before making it around the table.

- When you have finished pouring, place the bottle in an ice bucket, cooler, on a side-board or on the table according to organisational requirements.
- Drape a napkin around the neck of the red wine and on the ice bucket of the white according to organisational requirements.
- Refill the wineglasses as required. Check if the guests would like more wine – do not assume this.

Reordering Wine

At several points in the meal, the sommelier should check with the host to see if additional wine is needed. This can either be more of the same wine or perhaps a different wine for comparison or for another course in the meal. If more wine is ordered, the routine of ordering, verifying the selection, dealing with the cork and tasting the wine will be repeated as it was with the first wine. If the same wine reordered, (same selection and vintage) it would be appropriate for the next bottle to be poured in the same glasses that the guests are currently using, but it is necessary for the wine host to be brought a new glass for the evaluation tasting. . If a new wine is ordered, all the glasses must be changed and you should repeat the opening and tasting process.

Serving Champagne and other sparkling wine

Presenting

- Ensure the champagne glasses are on the table before presenting the bottle.
- Follow the same method as for presenting a bottle of wine.

Opening and pouring

- Hold the bottle in your left hand (or right if you are left-handed), at about 45°, at waist height.
- Point the bottle away from customers.
- Find the wire ring at the neck of the bottle and untwist.
- Remove the foil and the wire cage (muselet), ensuring that you keep your thumb on the top of the cork to stop it from popping out of the bottle.
- Put the foil and muselet in your pocket.
- Use a service cloth to cover and firmly hold the cork with the palm of your hand.
- Hold the base of the bottle with your left (right) hand and twist the bottle and the cork in opposite directions to loosen the cork.
- The cork should ease out of the bottle gently without making a loud pop.
- Place the cork in your pocket.
- Wipe the lip of the bottle with the service cloth.
- Allow the host to taste the champagne/sparkling wine.
- Serve the other guests once the host has approved the champagne as with red or white wine.
- Place the champagne/sparkling wine in an ice bucket with the service cloth over the ice bucket as per organisational requirements.
- When you are pouring champagne, you may hold the bottle with your thumb in the punt of the bottle and your fingers spread out to support the rest of the bottle. This is the indentation in the bottom of the bottle. You may also pour the champagne/sparkling wine by holding the bottle the same way as a normal bottle of wine. Note: Never pour a bottle of wine, champagne or sparkling wine by holding the neck of the bottle.

- Be careful when pouring champagne/sparkling wine, so you do not overflow the glass. Do it slowly to let the bubbles subside.

Service of Beer

Beer should be served at a temperature of 12.5 °C – 15.5 °C, with lagers generally cooler than other beers at 8.0—10.5°C. Many different varieties of bottled beer are also served chilled.

Also draught beer on its route from the keg/cask to the pump often passes through a chilling unit. Draught beers should have a small head on them, and the bar person should ensure that he/she serves the correct quantity of beer with a small head and not a large head to make up the quantity required. One may note the good condition of beer if the head or froth clings to the inside of the glass.

When pouring bottled beer, it should be poured down the inside of the glass which is held at a slight angle. It should be poured slowly. This is especially important were a beer works a lot and may produce a large head quickly if it is not poured slowly and carefully. Such beers are Guinness and stouts.

All glasses used should be spotlessly clean with no finger marks, grease or lipstick on them. Pouring beer into a dirty glass will cause it to go flat very quickly. Extra care must be taken when pouring beer in hot weather as this causes the beer to work much more. The neck of the bottle should not be placed in the beer when pouring, especially where two bottles are being held and poured from the same hand. Where bottled beers have sediment, when pouring, a little beer must be left in the base of the bottle holding the sediment back.

Beer glasses

- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

Pint glass: A standard, all-purpose beer glass with slightly tapered walls. Used primarily for English- and American-style lagers and ales ranging from light lagers to imperial stouts.



Pint glass (Mixing)



Pint Glass (Pub)

Pilsner glass: A long, narrow glasses with walls that taper towards the base. Used to consolidate volatiles and support delicate heads of pilsners and other lagers



Pilsner Glass (Standard)



Pilsner Glass (Footed)

Weizen glass: A large, curvaceous glass, bulbous near the mouth to support and showcase the heads of weizens and other wheat beers.



Pilsner Glass (Weizen)



Seidel

Seidel: A German-style mug, often of great volume, with handles and thick walls to help maintain a cool temperature. An earthenware, ceramic, or metal version is called a stein



Tulip glass: A bulbous glass with a trumpeted mouth and short stem used to capture aromas and support large heads of artisanal Belgian ales. They are ideal for swirling beer to release volatiles. Many have etchings on the bottom of the inside of the glass to stimulate carbonation, aiding in head retention. A tulip glass may be substituted with an oversize snifter.

Chalice or goblet: A wide-mouthed, bowl-like, stemmed glass, often with metal linings. Used for serving Trappist ales and other abbey-style ales. Like tulip glasses, they are often etched to stimulate carbonation. Chalice may be substituted with an oversize red wine glass.

3.3.4 Stocking the bar

Everything that will be needed to stock a bar breaks down into three basic groups:

Alcohol
Mixers and
Bar accessories

Ultimately, what an establishment decides to keep behind the bar is going to depend on what drinks that are served most, but there is a basic list that should get a bar started.

Alcohol

Any bar is going to need a basic assortment of spirits. The varieties provided should be such that will provide a broad base for the customers to choose from in terms of price, quality and vintage.

Spirits

Gin
Vodka
Flavoured Vodka (Citrus, Cherry, Blueberry, Vanilla, etc)
Rum (Light, Dark, Spiced)
Tequila (Light & Dark)
Whiskey (Canadian, Irish)
Scotch
Bourbon
Cognac
Brandy
Wine (White, Red, Sparkling)

Liqueurs/Cordials

- Jagermeister
- Kahlua
- Kirschwasser
- Midori
- Amaretto
- Chambord
- Compari
- Countreu
- Curacao (Blue & Orange)
- Creme de Banana
- Creme de Cacao
- Creme de Cassis
- Irish Cream
- Rumpemintz
- Sambuca
- Schnapps (Various Flavors: Peach, Pear, Pomegranate, Sour Apple, Butterscotch, Mango)
- Southern Comfort
- Creme de Menthe
- Frangelico
- Galiano
- Godiva

Mixers/Garnishes

- Tonic Water/Club Soda
- Soda (Coke, 7up, Ginger ale)
- Grenadine
- Lime Juice (fresh or roses)
- Cinnamon
- Nutmeg
- Salt/Sugar
- Mint
- Olives/Onions
- Sweet n sour
- Tabasco
- Bitters

- Milks
- Cream of Coconut
- Fruit Juice (Cranberry, Orange, Pineapple, Grapefruit, Tomato)
- Fruit (Pineapple/Orange slices, Cherries, Strawberries, Bananas, Apples, Lemon/Limes)
- Vermouth
- Worcestershire sauce

Bar Accessories

To mix and serve drinks, bartending tools will be needed. Some of them include:

- Shot glasses
- Cocktail shaker
- Bar caddy
- Bottle openers
- Bar mats
- Blender
- Bottle pourers
- Straws and stirrers
- Margarita glass rimmer
- Glassware - beer mugs, stemware, rocks glasses
- Cocktail napkins

4.0 Conclusion

This unit has shown the various methods of pricing beverages, the basics of serving drinks and the approach to stocking a bar.

5.0 Summary

This unit has enumerated and explained the five methods of pricing drinks which are:

- Charge per person
- Charge per drink
- Charge per hour
- Flat rate and
- Charge per bottle.

Wine lists can be classified as full wine lists with an extensive choice of wines or restricted wine list where it features mainly well-known branded wines.

Other beverage lists include bar menus, room service beverage lists and special promotion beverage lists

The stages of serving of wine

- Ordering the wine
- Opening the bottle
- Tasting the wine
- Pouring the wine
- Reordering wine

6.0 Tutor-Marked Assignment

Discuss the methods of pricing drinks.
Explain the stages of wine service
State the general rules for serving wine.

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.
Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ
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Unit 3 Beverage Merchandizing

CONTENT

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main content
 - 3.1 Merchandising methods

- 3.2 Costing of beverages
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 Introduction

Merchandising is the methods, practices, and operations used to promote and sustain certain categories of commercial activity. In the broadest sense, merchandising entails practices which contribute to the sale of products to a retail consumer. At a retail in-store level, merchandising refers to the variety of products available for sale and the display of those products in such a way that it stimulates interest and entices customers to make a purchase. Merchandisers, also called retailers, buy products from wholesalers and manufacturers, add a markup or gross profit amount, and sell the products to consumers at a higher price than what they paid.

2.0 Objective

At the end of this unit, the students will be able to explain:

Beverage merchandising methods.

Costing of beverages

3.0 Main content

3.1 Merchandising methods

Beverage operations, particularly, alcoholic beverages have high profit ratio, hence every effort should be put in place to maximise sales. A good merchandising program is very important. Some of the merchandising methods that will help promote beverage internal sales include:

- Decor and Atmosphere

- Visual selling

- Tent cards

- Package pricing

- Proper training of staff

- Entertainment

Decor and Atmosphere

This is very important because a very welcoming decor and atmosphere will always encourage a come-back.

Visual Selling

This is accomplished by displays using trolleys, carts, special outlets etc. A good display of well presented/popular drinks can do much to increase sales. Good displays are necessary in self service situations/occasions. It attracts the attention of a customer and could highly encourage impulse buying.

Tent cards

Tent cards are valuable internal sales tool. They are often placed on dining tables, cocktail bar or other places where the guests will almost inevitably pick the cards up to read, to advertise special wines or drinks.

Package pricing

This is another method frequently used in merchandising beverages. For example, the offering of a second drink at a half price, including a beer, cocktail, or wine to the price of a meal, charging half price for all drinks during a certain period of the day.

Proper training of staff

Training staff to be alert and responsive to the wants of a customer can be an important for sales promotion. A waiter unobtrusively inquires if the patron desires to reorder as soon as the glasses are empty. Should the patron not desire to reorder at that particular time, be told that the waiter will be nearby when he desires to do so.

Special promotions

Special promotions could be organised for guests. For example, the tasting of local wines, lobster and champagne evenings etc. will definitely improve on the sales figure.

Other sales tools

There is a variety of other internal sales tools that can be employed to boost sales. These include drink mats, cocktail sticks, and matches.

3.2 Costing of beverages

Beverage cost calculations

The calculation of beverage cost and beverage cost percentage is exactly the same as that of food cost. First, you need to compute the inventory amounts, calculate the cost of beverage sold, and then divide the cost by the total sales money to obtain the percentage.

What should be included in beverage cost?

Beverage costs only include alcoholic beverages, such as liquor, beer, and wine since taxes need to be paid by the establishments to the government. Iced tea, soft drinks, milk, and coffee, although they are beverages, are considered food items and they are not taxable. The markup and pricing of beverages are always higher than food. Beverage cost percentages run in the 15% to 25% range. They

might be higher if a restaurant is running a special at a lower price or trying to sell inventory.

Basic terms in the calculation of beverage costs are:

Beverage cost

This refers to the cost of all beverages incurred in preparing the served drink.

Beverage cost percentage

This is the cost of beverages sold expressed as a percentage of sales of the beverage.

Beverage gross profit

This is the excess of sales over the cost of the beverage expressed as a percentage or in financial terms.

How to Calculate the Cost of Straight Drinks

Method I

- Total number of ounces in bottle ÷ Standard portion size (ounces) = Number of drinks per bottle
- Cost of bottle ÷ Result from Step 1 = Standard drink cost

Method II

- Cost of bottle ÷ Total number of ounces in bottle = Cost per ounce
- Result from Step 1 × Standard portion size = Standard drink cost

Adjustments to Beverage Cost

Added to beverage cost

Food to bar (directs)

Storeroom issues

Mixers

Subtracted from beverage cost

Managers' drinks

Special promotions

How to Calculate Bottle Sales Values

Determine bottle size and drink size.

Calculate drinks per bottle.

Multiply drinks per bottle by drink price to get sales value per bottle.

Example

Bottle size: 1 liter

Drink size: 1 ounce

33.8 drinks per bottle

$33.8 \times \text{N}3.00 = \text{N}101.40$

4.0 Conclusion

5.0 Summary

Beverage merchandising methods are

- Decor and Atmosphere
- Visual selling
- Tent cards
- Package pricing
- Proper training of staff
- Entertainment

Basic terms in the calculation of beverage costs are:

- Beverage cost
- Beverage cost percentage
- Beverage gross profit

6.0 Tutor-Marked Assignment

Discuss the beverage merchandising methods
Explain the basic terms in the calculation of beverage cost

7.0 References/Further Reading

- Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.
- Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ
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Unit 4 Purchasing of beverages

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- 3.2 Purchasing Beverages
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 - 3.2.2 Purchase specifications
 - 3.2.3 Quantity Standards for Beverage Purchasing
 - 3.2.4 Brands to purchase
 - 3.2.5 Purchase orders
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- 3.3 Salient points in purchasing beverage products

- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 Introduction

The aim of purchasing alcoholic and non-alcoholic beverages is to purchase the best quality at a lowest price. It is the responsibility of the purchasing manager together with the Food and beverage manager, the head cellar man and the head wine waiter to purchase beverages.

Beverages contribute more to profit than foods, and require less staff to process them into finished products for the customer. It is important to bear in mind when purchasing that expensive products or products with pretty labels do not necessarily guarantee superior quality.

2.0 Objective

At the end of this unit, the students will be able to explain:

The procedure for purchasing beverages

3.0 Main content

3.1 Definitions

a. What is purchasing?

Purchasing is the activity of acquiring goods or services to accomplish the goals of an organization. Several organizations attempt to set standards in the purchasing process, however, the process varies

greatly between organizations. Purchasing is not just procuring the items, it involves the search, selection, purchase, receipt, storage and final use of a commodity in accordance with the policy of the establishment

b. Objectives of purchasing

The major objectives of purchasing are to

- Maintain the quality and value of a company's products,
- Minimize cash tied-up in inventory,
- Maintain the flow of inputs to maintain the flow of outputs,
- Strengthen the organization's competitive position.

Purchasing may also involve:

- (a) development and review of the product specifications,
- (b) receipt and processing of requisitions,
- (c) advertising for bids,
- (d) bid evaluation,
- (e) award of supply contracts,
- (f) inspection of good received, and
- (g) their appropriate storage and release.

c. Purchasing management

Purchasing management directs the flow of goods and services in a company and handles all data relating to contact with suppliers. Effective purchasing management requires knowledge of the supply chain, business and tax laws, invoice and inventory procedures, and transportation and logistics issues. Although a strong knowledge of the products and services to be purchased is essential, purchasing management professionals must also be able to plan, execute, and oversee purchasing strategies that are conducive to company profitability.

Sourcing reliable suppliers is a crucial part of purchasing management. Purchasing managers, agents, and buyers usually learn about new products and services from Internet searches, trade shows, and conferences. Purchasing management professionals must be good negotiators, understand technical product information, have good mathematical ability, understand spreadsheet software, understand marketing methodology, and be outstanding decision makers.

It must be ascertained that potential suppliers have the ability to supply quality merchandise at a suitable price on time

3.2 Purchasing Beverages

Purchasing of alcoholic beverages requires knowledge of spirits and wines. A purchasing agent should be well informed about types of wines, vintages, and the appropriate marriage of wines and foods in order to construct a well-developed wine list.

Maintaining an adequate inventory is the most important factor of profitable beverage purchasing. Stock levels must be kept as low as possible while still providing sufficient beverages to service functions. The principal advantage of beverage purchasing is that beverage requirements can be estimated well in advance of functions.

3.2.1 Sources of purchase

In beverage management, the purchasing of beverages involves the following sources:

Wine shippers

Wholesalers

Beverage manufacturers

Auctions

Cash-and-carry

Wine shippers

These are firms that purchase wine from the country of origin and ship it to whatever country it is to be sold. Most times they are only concerned with wines from particular regions, meaning that they will have limited range of products. Also, the shipper may want to deal only with prestigious establishments/large companies, and so the products of wine shippers are normally purchased from a wine or spirit wholesaler.

Wholesalers

These are usually subsidiary wine companies of large breweries or independent wine companies. Wholesalers offer a wide range of all beverages as well as regular delivery service to the customers. In addition, they can assist with promotional materials/literature for both bar and restaurant sales.

Beverage manufacturers

This method of purchase is used when the purchase is sufficiently large. The purchasing manager deals directly with the beverage manufacturer. This method is applied for the purchasing of the main spirits, minerals and beers.

Beverages can also be purchased through auctions and cash-and-carry sources.

3.2.2 Purchase specifications

Purchaser cannot call the beverage supplier and order a case of drink. The supplier needs more information -the type of drink, size of the case, pack of the case (number of bottles), and other

information on the item. A purchase specification would include major information that would make the jobs much easier and more efficient.

Alcoholic-beverage purchasing specifications include the following information:

- Product name, with preferred brand names listed
- Quantity to be purchased, such as litre, fifth, gallon
- Indication of proof, such as 80% proof, 100% proof, or 175% proof
- Unit by which prices are quoted, such as case, keg, or barrel

The purpose of purchase specification is to set down in black and white the standard of products to be purchased for use in the establishment. The Purchase specification is a precise written statement of the products' characteristics required by a user. The purchasing manager uses this specification to inform the suppliers of exactly what is needed. This specification is also vital to the receiving and cellar department staff to know what to accept when delivery is being made.

Developing and using specifications

Written specifications accomplish the following objectives:

- Communicate the characteristics of products and services needed for the operation, and help eliminate misunderstanding between the buyer and seller
- Provide the receiver with the product characteristics he or she needs to see before accepting goods delivered to the operation
- Help to ensure consistency in the items served by the operation by providing consistent product Allow the operation to solicit bids from more than one supplier
- Facilitate the training of purchasers, and allow other people to step in for the purchaser if the need arises.

Specification

Specifications can vary greatly in length. Items with a recognized brand name, such as cans of Pepsi-Cola, can have a specification as simple as the name, size of can, and number of cans in a case. Specifications for items that do not have brand names, such as apples, require much more details in order to be effective.

The contents of a specification

1. The intended use of the product or service
2. The specific, definitive name of the product
3. Packer's or producer's brand name
4. Quality grades
5. Size or size range of the items needed
6. Package size
7. Preservation and/or processing method
8. Point of origin

9. Method of packing

3.2.3 Quantity Standards for Beverage Purchasing

It is also important to set standards with regard to the quantity of a particular beverage to buy at a particular time. Various factors are considered before this standard is set. Some of these factors are:

- Frequency with which management chooses to place orders
- Storage space available
- Funds available for inventory purchases
- Delivery schedules set by purveyors
- Minimum order requirements set by purveyors
- Price discounts for volume orders
- Price specials available
- Limited availability of some items

It is important to consider amount of stock on hand and par stock that has been established for the store room, as well as needs for any occasions that may have been booked.

Every beverage store room should have a definite par stock based on the actual needs of the establishment. This par stock is tested periodically to guard against overstocking. Accumulation of slow moving stock or over supply of any item will mean cash being tied up in inventory.

After the consideration of the above points, then the quantity to be purchased is set.

3.2.4 Brands to purchase

Many beverage purchasers have this fear that sales may be lost when a particular brand of beverage is out of stock. Others see it as a matter of honour that no customer should ask for a particular beverage and be told that it is not available. In as much as an outfit should strive to satisfy customers, it should not be carried to such extremes as to overload inventories with unusual brands or types of liquor. Adequate inventories are necessary, but liquor stock must move if maximum profit must be achieved.

3.2.5 Purchase orders

For reliability, it is very necessary for liquor purchase orders to be written rather than verbal. Such purchase orders should require management approval as a way of avoiding excessive inventories. Furthermore, a copy of this purchase order tells the receiving clerk what and how much he is to receive.

3.2.6 Verification of invoices

The beverage purchasing manager should personally approve invoices for purchases before payments can be made, since he is the one that knows the terms of purchase, the brands and quantities ordered.

Purposes of Beverage Purchasing Controls

The control of beverages purchased is vital for the following reasons:

To maintain an appropriate supply of ingredients for producing beverage products.

To ensure that the quality of ingredients purchased is appropriate to intended use

To ensure that ingredients are purchased at optimum price.

4.0 Conclusion

This unit has shown the purchasing process and procedure in beverage operations, and has brought out the salient point worthy of note in the purchasing process.

5.0 Summary

The objectives of purchasing are to maintain the quality and value of a company's products, minimize cash tied-up in inventory, maintain the flow of inputs to maintain the flow of outputs and to strengthen the organization's competitive position.

The sources of purchase are wine shippers, wholesalers, beverage manufacturers, auctions and cash-and-carry.

The contents of a specification are the intended use of the product or service, the specific definitive name of the product, packer's or producer's brand name, quality grades, size or size range of the items needed, package size, preservation and/or processing method, point of origin and method of packing.

6.0 Tutor-Marked Assignment

Discuss the quantity standards for beverage purchasing

Explain the term 'purchasing management'

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ

Dennis Lillicrap and John Cousins (2006) Food and Beverage Service 7th edition. Hodder Arnold

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Module 2

- Unit 1 Receiving of beverages
- Unit 2 Storing and issuing of beverages and Stocktaking
- Unit 3 Production of beverages
- Unit 4 Beverage control

UNIT 1 Receiving of beverages

CONTENT

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main content
 - 3.1 Standards for beverage receiving
 - 3.1.1 Importance and objectives of receiving
 - 3.1.2 Standards procedure for beverage receiving
 - 3.1.3 Proper tools for the receiver
 - 3.2 Receiving activity
 - 3.2.1 Elements of Receiving Activity
 - 3.2.2 Inspection
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 Introduction

In many establishments, the receiving department is most times not considered as a very important section. It is normally staffed with people with little or no specialised knowledge. The point is that this section should operate with efficiency to complement the great efforts that has been put to purchasing goods.

Receiving goods should not be allowed to become a weak link in the beverage control cycle as it will nullify all efforts towards effective beverage control.

2.0 Objectives

At the end of the unit, the students will be able to explain:

the objectives of receiving goods.

The standard procedure for receiving

The proper tools for receiving

The elements of receiving activity.

3.0 Main content

3.1 Standard procedure for beverage receiving

Quantity of an item delivered must equal the quantity ordered

Quality of an item delivered must be the same as the quality ordered

Price on the invoice for each item delivered should be the same as the price quoted or listed when the order was placed.

The receiving staff will then ensure to:

- Maintain an up-to-date file of all beverage orders placed
- Remove the record of an order from the file when a delivery arrives and compare it to the invoice presented by the delivery driver
- Check brands, dates, or both, and count or weigh delivered goods Before the driver leaves
- Compare the invoice to the order
- Call to the attention of management and the delivery driver any broken or leaking containers and any bottles with broken seals or missing labels
- Note all discrepancies between delivered goods and the invoice on the invoice itself
- Sign the original invoice and return it to the driver
- Record the invoice on the beverage receiving report
- Notify the person responsible for storing beverages that a delivery has been received

Importance of receiving

The entire purchasing system can fall apart if a receiver is not careful to check items properly when they arrive from the supplier. Receiver must check three key factors for each item that arrives:

- Quantity
- Quality
- Adherence to company specification

It is important in the receiving function to ensure that all that was ordered is received. A distributor charges the foodservice operation for all items on the invoice. Non receipt of ordered items or receipt of a quantity less than what is ordered can cause a significant problem if the discrepancy is not spotted at the time of delivery so that it can be rectified.

Objectives of Receiving

The objectives of receiving are to ensure that:

The quantity of beverages delivered matches that which was ordered. This requires a methodical approach to checking the goods against the purchase order and delivery note. Items will normally be in standard units of crates, cases, etc., with standard contents of a specific size. Crates and cases should be opened to check for such things as empty, missing or broken bottles.

There should be quality inspection that requires a thorough and methodical approach. This will involve checking the brand name and label on each item, the alcohol proof, the vintage and shipper, against the delivery note and purchase order form.

The prices stated on the delivery note are in accordance with the negotiated prices shown on the purchase order form.

When the quality or quantity (or both) of beverages delivered is not in accordance with the purchase order, or an item is omitted from the order, that a Request for Credit note is raised by the receiving clerk or cellarman.

An accurate record is made in the Goods Received Book, recording details of the delivery.

An accurate record is kept of all chargeable empties delivered and returned.

Deliveries of beverages are timetabled with the suppliers to agree with times when the receiving staff are normally not so busy, and the receiving area is free from other deliveries.

Types of receiving

There are 2 types of receiving which are:-

i. Invoice receiving

A paper that list shipping information.

It has its own number and gives the name of the company, quantity, quality, price, total price per type item shipped and total for the invoice.

Other information may be on the invoice. The invoice verifies the order.

The quantity, quality of the products delivered should be checked against the purchase order or other receiving documents.

ii. Blind check receiving

The method involved giving the clerk a blank invoice/purchase order listing the incoming merchandise but omitting the quantity, quality, weights and prices.

The receiving clerk must insert these numbers into the order on the basis of a check of the delivery.

This invoice is checked against the one from the receiving clerk and the figures in both are verified.

Proper tools for the receiver

The person who does the receiving must be supplied with a number of tools in order to perform the job properly.

The knowledge necessary

Scales

Unloading platform,

Table for inspection, & some tools

An adequate area in which to work

Specification Sheets

The time

A list of what was ordered

Receiving activity

- Ensure that products delivered by suppliers are those that were ordered.
- Verify that quality, size, and quantity meet the specifications
- Ensure price on invoice agrees with purchase order.
- Perishable goods are tagged or marked with the date received
- Consistent and routine procedures are essential. Adequate controls should be exercised to preserve quality and prevent loss during delivery and receipt .

Elements of Receiving Activity

- Competent personnel should handle the receiving activity
- Separate duties of purchasing and receiving.
- For basic check-and- balance system, well trained employees should perform receiving tasks competently
- Facilities and equipment need enough space to permit all incoming products to be inspected & checked.
- Employee receiving order must know standards the supplies must meet
- Critical controls in receiving procedures with regard to inspection and standards for acceptance necessary to prevent food borne illness
- Receiving area designed for easy cleaning
- Adequate supervision from management to ensure receiving procedures are being followed.
- Suppliers should follow scheduled hours and deliver at specified times.
- Move products immediately from receiving to storage
- Do not allow delivery personnel in storage area

3.2.2 Inspection

Inspection should be focused on the following areas:

Inspection against Purchase Order

Purchase Order is a written record of all orders. It includes brief description of the product, quantity and price. Supplier ensures that products were actually ordered. He ensures correct quantities have been delivered.

Inspection against the Invoice

Invoice is the supplier's statement of what is being shipped and the expected payment. Invoice checks quantity against purchase order. Electronic use of tabulator scales, bar coded cartons and packages, and handheld scanner aid receiving.

Acceptance or Rejection of Orders

Delivered products become the property when the purchase order, specifications, and supplier's invoice are in agreement. Rejection at time of delivery is easier than returning products.

Completion of Received Records

Receiving record provides an accurate list of all deliveries of food and supplies, date of delivery Supplier's name, quantity, price data that provides a checkpoint in control system.

Receiving pitfalls

There are many ways in which an unscrupulous person can successfully defraud an operation. Here are some of the tricks,

- Packing merchandise in excessive moisture or wrapping in ice to make weighting more difficult and add more weight.
- Placing satisfactory merchandise on the top level that is visible, but inserting merchandise of improper quality underneath.
- Repairing produce and putting a lighter in the new crate while keeping the price the same as for the heavier original crates (it is wise to spot check the weight of crates and cartons).
- Sending incomplete shipments with the full bill and neglecting to send the remainder.
- Supplying short weights.

Removal to Storage

Products should be transferred immediately from receiving to the secure storage area. Marking information about delivery date and price directly on the case, can, or bottle before it is placed into storage. Tagging information such as date of receipt, name of supplier, brief description of product, weight or count upon receipt, and place of storage are written on a tag.

4.0 Conclusion

This unit has actually shown the need for proper and thorough procedure and inspection in the receiving of beverages by the receiving and cellar staff.

5.0 Summary

The unit has discussed standard procedures for receiving beverages, as well as the objectives and importance. It also talked about the basic tools and elements for receiving beverages.

In receiving, deliveries received must conform to orders placed in three critical areas: quality, quantity, and price. Standard receiving procedures include:

maintaining records of orders placed,
verifying that beverages received conform to those ordered, and
making necessary entries on a beverage receiving report.

6.0 Tutor-Marked Assignment

Discuss the standard procedures for receiving beverages.

Discuss the implications of improper receiving of beverages.

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ

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UNIT 2 Storing and issuing of beverages

CONTENT

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main content

	3.1 Storing and storing records
	3.2 Issuing
	3.3 Stock-taking
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

1.0 Introduction

Storage of beverages is an important aspect of beverage operations. It is the responsibility of management to see to the proper organization of the store. It is also important to see that it is only essential supplies that are kept there, and that it is operated efficiently and competently by trustworthy staff. It should be controlled as carefully as the cashier's safe since the goods kept there are simply another form of cash.

2.0 Objectives

At the end of the unit, the students will understand:
the storing and issuing of beverages.
the standards for storing and issuing beverages
some storing records

3.0 Main content

3.1 Storing and storing records

The size of a store room depends on the volume and nature of the establishment's business, the location and the purchasing policy. There will be no need for excessive storage space which may encourage overbuying.

There is a relationship between the size of the inventory and usage. Overcrowded conditions in a store room may be due to excessive inventories containing dead stock. It could also result from the use of extensive wine list that contains slow moving beverages.

3.1.3 Storing records

These are records that aid the competent and efficient operation of the cellar. They are used in documenting the operations of the store with regard to incoming and out-going stock. They include:

Cellar inwards book

This provides accurate record of all beverages coming into the cellar. The data for the cellerman's bin card is as well posted here. Cellar inward book is a useful check against the perpetual beverage inventory ledger held in the food and beverage control/accounts office.

WAZOBIA HOTELS LTD Cellar inwards book						
						Date:
Date	Beverage	Delivery/Invoice No	Bin Code No.	Bottle	Halves	Other sizes

Bin cards

These are provided for each individual beverage held in stock. It records all deliveries and issues made, and normally pinned on shelves against each beverage.

WAZOBIA HOTELS LTD Bin Card						
Bin No:						
Type:		size:				
Date	Received	Issued to bar				Balance
		A	B	C	Total	
05/02/10	12	2	-	1	3	9
07/02/10	-	1	1	2	4	5

Cellar control books

This provides a record of all daily deliveries to the cellar and all daily issues from the cellar to the various bars. This record should cross-check with the entries on the bin card and the perpetual inventory ledger held in the food control/accounts office.

Beverages perpetual inventory ledger

This is a master ledger prepared in the control/accounts office. It consists of cards prepared for each individual beverage held in stock. The purpose is to keep a daily record of any purchases of the separate type of beverages and of the quantities issued from the cellar to each bar or to other areas, and to record a perpetual balance for each of them.

The information on this ledger is obtained from the suppliers' delivery notes or invoices, and the daily beverage requisition notes from the different bars. During physical stock-taking in the cellar, the stock-take figures should match those on the perpetual inventory ledger.

WAZOBIA HOTELS LTD															
Beverages perpetual inventory ledger															
Date	Beverage purchase				Perpetual inventory and issue record										
	supplier	No	Unit cost	Total amount	date	Opening inventory	Total purchases	Total available	issues					Closing inventory	
									Bar A	Bar B	Bar C	Bar D	Misc	total	
05/08	Smith	36	3.20	115.20	05/02	12	36	48	2	4	12	-	-	18	30
09/02	Smith	36	3.20	115.20	09/02	30	36	66	2	2	48	-	-	52	14

Ullages and breakages

Ullage is a term used to cover all substandard beverages such as bottles of weeping wine, bottles of wine with faulty corks, unfit barrels of beer, etc.

It is necessary that ullages and breakages be recorded on a standard form together with an explanation, and counter signed by a staff of the food and beverage control department.

Empties return book

Many of the containers of beverages such as crates, kegs, beer bottles, soda siphons, etc. are charged for by the supplier against a delivery. It therefore necessary that a control is maintained on these charged items to ensure that they are returned to the supplier, and the correct credit obtained.

A container record book is required to record all containers received from the various suppliers, containers returned and the balance matching the stock-take of containers.

Hospitality book

This book records all issues of drinks to the kitchen and other grades of staff as laid down by company policy.

Establishing Standards

Storing control is established in beverage operations to achieve three important objectives:

1. To prevent pilferage
2. To ensure accessibility when needed
3. To preserve quality

In order to accomplish these objectives, standards must be established. The following standards are critical to effective storing control.

Preventing Pilferage

To prevent pilferage, it is clearly necessary to make all beverage storage areas secure. To establish the proper degree of security, access to storage areas must be restricted to authorized individuals, and steps must be taken to guard against unauthorized use of beverages by those who are permitted access to the storage areas.

Alcoholic beverages are among the items in hotels and restaurants that are most prone to theft by those who are inclined to steal. Unless appropriate steps are taken, beverage products will disappear. There are many reasons for this, including the money value of the products, addiction to alcohol, and irresponsible, impulsive behaviour, among others.

Ensuring Accessibility

ensure accessibility of products when needed, the storage facility must be organized so that each individual brand and product can be found quickly. In practice, this means assigning a specific storage location (shelf or bin number) to each item in the beverage inventory.

Maintaining Product Quality

To maintain product quality, each item in the beverage inventory must be stored appropriately, under conditions that will maximize its shelf life. This requires taking into account such important elements as temperature, humidity, and the manner in which items are stored. Although the quality of spirits will not be adversely affected in storage under most conditions, wines and beers are subject to rapid deterioration if improperly stored.

Establishing Standard Procedures

Standard procedures must always be established to ensure that standards will be met. The standard procedures required to achieve control over the storing of beverages normally include those discussed in the following paragraphs.

Procedures to Make Beverage Areas Secure

Because beverage products are prone to theft, keeping them in a secure facility is an urgent requirement. There are two ways to maintain the necessary degree of security. The first is to assign responsibility for the security of the stored items to one person alone. This responsibility can mean literally keeping watch over these items. In many hotels and some large restaurants, a steward may be assigned to work in the storage facility, maintaining the stock and issuing beverages as needed.

Typically, this steward is the only person permitted in the facility, except for authorized managers. In operations that are open for long hours, responsibility may be shared by two or more stewards working different shifts. Alternatively, the hours for storing and issuing beverages may be restricted so that one person can be held accountable for the beverage inventory. The second way to maintain security is to keep the beverage storage facility locked, and to issue a single key to one person, who will be held accountable for all beverages in the inventory. The person with the key is required to open the lock and issue the needed beverages. An alternative provision can be made for issuing the needed beverages in the absence of this one individual. For example, a procedure can be established by which a manager can gain access to the beverage storage facility.

The difficulty with both of these procedures is that the individual assigned responsibility for the beverage inventory is not likely to be available 24 hours a day. At some point, the storage facility will be inaccessible, and no one will be able to obtain items that may be urgently needed. One way to prepare for this eventuality is to place a second key in a safe or a similar secure location and require that anyone using it sign for it and write a short explanation of why it is needed. Some managers may require both an explanation and a list of the items removed from the facility. However, making a second key available reduces both the degree of security and the possibility of holding one individual accountable for all beverages in the inventory.

In general, the common standard procedure is to keep the number of keys to the minimum that management deems appropriate for efficient operation and maximum security. If there is more than one key or if more than one person has access to the single key, it is normally advisable to change locks regularly to minimize the possibility that some persons may obtain and use duplicate keys. It is also advisable to change locks whenever a worker with access to the beverage storage facility leaves the employ of the establishment.

Some hotels and large restaurants take the additional precaution of installing closed-circuit television cameras to keep various facilities and their entrances under observation, such as the doors to beverage

storage areas. A security guard in a remote area is responsible for monitoring traffic into and out of the area on a television screen. As an alternative, activity in the area may be monitored by means of a video recording that can be viewed by the security staff at a later time. One company sells a device that looks like a surveillance camera, but does not record anything. In theory, the mere presence of this device will deter theft.

Another means of monitoring is to install special locks that print on paper tape the times at which the doors on which they are installed are unlocked and relocked. The times printed on the tape inform management exactly when the door to a facility was unlocked and how long it remained so. This is a less costly alternative to a closed-circuit television system, but it provides less information. Maintaining the security of the beverage inventory is a clear imperative for any hotel or restaurant, requiring constant vigilance and careful monitoring.

Procedures to Organize the Beverage Storage Facility

Ensuring accessibility means storing beverage products in an organized manner, so that each stored item is always kept in the same place, and thus can be found quickly when needed. The physical arrangement of a storage area is important. Similar items should be kept close to one another. All gins, for example, should be kept in one area, rye whiskies in another, and scotch whiskies in a third. This kind of arrangement simplifies finding an item when needed. It is helpful, too, for a floor plan of the storage area to be affixed to the door of the facility so that authorized personnel can easily locate items. One way of ensuring that items will always be found in the same locations is to institute the use of bin cards.

Bin cards can be affixed to shelves and serve as shelf labels. When properly used, bin cards include essential information (e.g., type of beverage, brand name, and bottle size). They may also include an identification number for beverages. Some establishments assign a code number from a master list to each item in the beverage inventory and record that code number on the bin card.

Procedures to Maximize Shelf Life of Stored Beverages

Procedures for maximizing the shelf life of stored beverages may be divided into two categories:

1. Those dealing with temperature, humidity, and light in the storage facilities
2. Those dealing with the manner in which bottles and other containers are handled and shelved:
Temperature,
Humidity, and
Light in Storage Facilities

For every beverage product, there is a temperature range appropriate for storage that will tend to preserve quality and shelf life. For some, the range is extremely broad; for others, it is very limited. Spirits, for example, can be stored indefinitely at normal room temperatures without harming product quality. If necessary, they can be stored well above or well below room temperatures for considerable

periods. As long as the storage temperature does not become extreme, they will not suffer loss of quality.

In contrast, carefully controlled storage temperatures are critical for maintaining the quality of beers and wines. The problem of maintaining product quality for these items is complicated by the fact that various wines and beers require different treatments, depending on how they were made and the containers in which they are purchased.

It is normally advisable to learn from the maker, brewer, or distributor of each specific brand the temperature range recommended for the proper storage of the product. As a general rule, red wines should be stored at about 55 ° F.

White wines and sparkling wines should be kept at slightly lower temperatures. Pasteurized beers can be stored for limited periods at normal room temperature without great harm, but they are normally kept under refrigeration, closer to the temperature at which they will be served. However, beer that has once been chilled should be kept chilled thereafter to maintain quality.

Unpasteurized beers, including all draft and some bottled and canned beers, should be stored at about 40 ° F to reduce the risk of deterioration. The degree of moisture in the air is of significance only for those beverages purchased in corked bottles. In general, wines are typically purchased in corked bottles, and the better the wine, the more likely the bottle is to have a cork rather than a screw top. Low humidity will cause corks to dry out, thus permitting air to reach the product. Air is likely to harm product quality. Therefore, wines should be stored either in rooms that are naturally cool and damp or in special facilities, such as refrigerated rooms where both temperature and humidity can be controlled.

Bottled wines and beers should be kept away from light, which adversely affects product quality. Natural light is more harmful than artificial light, but any light will affect these products. Vintners and brewers package their products in colored glass bottles, commonly dark green or dark brown, to minimize the negative effects of light. However, although the dark glass reduces the impact, it merely slows the inevitable deterioration that light will cause if these products are not properly stored.

Shelving and Handling of Bottles and Other Containers.

Spirits can be stored upright on horizontal shelves for unlimited periods. In contrast, wines and other corked beverages cannot safely be stored in an upright position. If they are to be kept for any length of time, they must be stored on their sides, parallel to the floor.

There are special racks designed to store wines in the proper position. In this horizontal position, the beverage in the bottle is kept in constant contact with the cork, helping to keep the cork moist and thus keeping the bottle tightly sealed. Canned and bottled beers are usually not shelved at all. They are delivered in cases and are stored in those cases. The cases are typically stacked in the storage facility to save space.

Handling is an important factor in maintaining the quality of wines. They should be handled with great care as they are being positioned in wine racks and later, as they are being removed to fill customers' orders.

Many wines, especially finer reds, develop natural sediment that settles in the bottle. If the bottle is improperly handled, this sediment will be dispersed through the wine, destroying its clarity and making it unpalatable to those who appreciate and order fine wines. For all practical purposes, the wine becomes unusable until the sediment has resettled. Sparkling wines - those containing natural or artificial carbonation - must also be handled carefully for obvious reasons. Beers require careful handling as well. They are carbonated beverages, and shaking will cause them to foam excessively.

3.2 Issuing

Establishing Standards

Issuing control is established in hotel and restaurant beverage operations to achieve two important objectives:

1. To ensure the timely release of beverages from inventory in the needed quantities
2. To prevent the misuse of alcoholic beverages between release from inventory and delivery to the bar

It is important for managers to control the quantities of alcoholic beverages issued and to take all necessary steps to ensure that quantities issued reach their intended destinations.

To achieve these objectives, managers must establish two essential standards for issuing beverages:

1. Issue quantities must be carefully set.
2. Beverages must be issued only to authorized persons.

Authorized persons mean those who have been assigned responsibility for the security of the issued beverages and will be held accountable for their disposition.

Establishing Standard Procedures

To ensure that the essential issuing standards identified previously will be met, it is necessary to establish appropriate standard procedures for issuing beverages:

1. Establishing par stocks for bars

Par stocks vary greatly from one establishment to another. In every case, however, the par stock for any particular beverage should be related to quantities used and should be changed from time to time as customer demand changes

2. Setting up a requisition system

A requisition system is a highly structured method for controlling issues. In beverage control, a key element in the system is the bar requisition form, on which both the names of beverages and the quantities of each issued are recorded. No bottles should ever be issued without a written requisition signed by an authorized person, often the head bartender

In most beverage operations, one type of requisition form is normally sufficient for maintaining the desired degree of control over issues. In more complex beverage operations, such as those found in many hotels, several kinds of requisitions may be required for specialized bars.

3.3 Stock-taking

Stock-taking can be described as physical count of stock at hand. The main objectives are:

- To determine the total value of all beverages held in stock. It will indicate if too much is held in stock and if it is in line with the financial and catering policies.
- To compare the actual value of beverages held in the cellar at a specific time with the book value of the stock, which would have been calculated with a simple formula.
- To identify slow moving items.
- To compare beverage usage at cost with beverage sales in order to calculate beverage gross profit.
- To deter pilferage and check security and control systems.
- To determine the rate of turnover.

4.0 Conclusion

This unit has shown the need to apply control systems in beverage operations. This will go a long way in checking many sharp practices among staff and suppliers.

5.0 Summary

In this unit, we examined the application of the control process to the storing, and issuing phases of beverage operations. We identified management's objectives in establishing control over these phases, and described the standards and standard procedures commonly employed to achieve the stated objectives.

For storing, the objectives are to prevent pilferage, to ensure product accessibility when needed, and to maintain product quality. Standard storing procedures include assigning responsibility to one person, keeping the storage facility locked when unattended, organizing the storage facility, and maintaining appropriate conditions for temperature, humidity, and light in the facility.

For issuing, the objectives are to ensure the timely release of needed quantities and to prevent their misuse in the interval between their issue from inventory and their delivery to a bar. Standard issuing procedures include establishing par stocks for bars and setting up requisition systems to replenish the par stock. The objectives of stock-taking was also examined

6.0 Tutor-Marked Assignment

Explain the measures to taken to secure the beverage area

List the objectives of stock-taking

List and explain the storing records

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

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Unit 3 Beverages production control

1.0 Introduction

2.0 Objective

3.0 Main content

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- 3.1.1 Objectives of beverage production control.
- 3.1.2 Standard procedures for beverage production.
- 3.1.3 Devices for Measuring Standard Quantities
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- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 Introduction

The making of drinks is a very important aspect of beverage operation. Failure to establish control in this area can lessen the overall impact of the standards and standard procedures carefully designed to establish control in other areas. Neglecting to establish control over drink production can lead to customer dissatisfaction resulting from improperly prepared drinks, as well as to any number of unwarranted costs. Sales, profits, and the number of customers may all be decreased if management fails to establish control over production.

Additionally, beverage profit margin is extremely important to most restaurants and critical to establishments that serve primarily liquor. National averages for restaurants that serve liquor show that beverage sales amount to about 20 percent of sales in these establishments. The profit margin for liquor is much higher than that for food, and in some establishments liquor profit is the primary reason for making a satisfactory overall profit. After all, when one considers the relatively low cost percentage for liquor compared with food and the relatively minimal labour cost in preparing drinks compared with food, maintaining the profit margin for liquor may be critical to success.

2.0 Objectives

At the end of the unit, you will be able to explain:

- The objectives of beverage production control.
- Standard procedures for beverage production.
- Devices for Measuring Standard Quantities
- The quality Standards and Standard Procedures

3.0 Main content

3.1 Beverage production control and standard procedure for production

3.1.1 Objectives of beverage production control

Control over beverage production is established to achieve two primary objectives:

1. To ensure that all drinks are prepared according to management's specifications
2. To guard against excessive costs that can develop in the production process

3.1.2 Standard procedures for beverage production

Standards must be established for the quantities of ingredients used in drink preparation, as well as for the proportions of ingredients in a drink. In addition, drink sizes must be standardized. When standards are set for ingredients, proportions, and drink sizes, customers can have some reasonable assurance that a drink will meet expectations each time it is ordered. Once these standards have been established and procedures have been developed for training employees to follow them, they can be adhered to even in the face of a high rate of employee turnover.

By establishing and maintaining these standards, managers also establish a means for controlling costs. When drinks are prepared by formula and served in standard portion sizes, one portion of any drink prepared should cost the same as every other portion of that same drink. In addition, because the sales prices for drinks are fixed, the cost - to - sales ratio for one portion of any drink should be the same as the cost - to - sales ratio for every other portion of that drink. If this is true, the cost - to - sales ratio for the overall operation should be reasonably stable, provided that sales remain relatively constant. Once standards and standard procedures for beverage production have been established, it becomes possible to develop a standard cost percent for operation with which the actual cost percent can be compared.

One of the first steps in establishing control over beverage production is to standardize the quantities of the most costly ingredients used: the alcoholic beverages. The quantities used by the bartender must be controlled. To do so, one must determine in advance the specific quantities to be used for the production of drinks and then provide the bartender with a means of measuring those quantities. Most drinks prepared with spirits are a combination of one kind of liquor and a mixer. Scotch and soda, gin and tonic, rye and ginger ale, and rum and cola are all examples of this type of drink. A manager must determine in advance the specific quantity of the expensive ingredient — the liquor — that a bartender should use to prepare any drink. The amount varies from bar to bar, but most have identified quantities that fall between two extremes — as little as three - quarters of an ounce in some bars to as much as 2 ounces in others. This quantity standard is established in advance by the manager and is the fixed quantity that will be given to a customer in return for the fixed sales price of a drink.

3.1.3 Devices for Measuring Standard Quantities

There are four measuring devices commonly used by bartenders:

shot glasses,
jiggers,
pourers, and

automated dispensers.

The shot glass.

In some establishments, bartenders are provided with small glasses, called shot glasses, that are used for measuring. There are two kinds of shot glasses: plain and lined.

A plain shot glass holds a predetermined quantity when filled to the rim. Plain shot glasses are available in a number of sizes, from fractions of an ounce to several ounces. In any given bar, all such glasses should be the same size.

In many of the establishments that use shot glasses, bartenders are told to fill the shot glass and pour the exact measure into the drink. In others, bartenders are provided with shot glasses that hold slightly less than management is willing to give.

Bartenders are instructed to fill the shot glass, pour it into the drink, and then, in full view of the customer, pour an additional small amount directly from the bottle into the glass. Some believe there is positive psychological impact to this practice: Customers think they are getting more than they are entitled to.

The jigger

A jigger is a double-ended stainless steel measuring device, each end of which resembles a shot glass. The two measuring devices that make up the jigger are of different sizes. Many believe the jigger is necessary for the accurate measuring that ensures perfect cocktails. It can be used for measuring straight shots as well, but is more useful for preparing cocktails that call for varying quantities of ingredients. For measuring the ingredients required for these complex drinks, shot glasses are inappropriate.

The Pourer

A pourer is a device, fitted on top of a bottle that measures the quantity poured from the bottle limiting that quantity to a predetermined amount. This is another way to control the quantity of liquor used in preparing drinks. Several types of pourers are available, but all operate on the principle of controlling the quantity poured each time a bottle is used.

In an establishment where 1 ounce is the standard measure, all bottles can be fitted with devices that dispense just 1 ounce. Each time the bartender tips the bottle to pour, exactly 1 ounce is dispensed.

The psychological effect, if any, of these pouring devices is widely disputed. Some think that the customer is given the illusion of the bartender pouring freely; others argue that customers may feel certain resentment toward an establishment that neither trusts the bartender nor permits an extra drop to be dispensed to a customer. Still others believe that pourers are useful at service bars, which customers never see, but should not be used at front bars, where customers watch bartenders mixing drinks.

Most bartenders do not like these devices, because it takes slightly more time to pour a shot than other means. There are many pourers and other devices associated with computer software, some of which are attached to liquor bottles. The following section discusses several of them.

Automatic pouring systems.

All automatic pouring systems are designed to regulate the amount of liquor transferred from the bottle to the glassware. How that is achieved is probably the biggest difference between each system. The most common method has a special pourer that fits on each bottle; this is then used in conjunction with a ring or collar that slides over the pourer and activates it. Most of these rings or collars are attached to the cash register or to a piece of hardware that is designed to take the place of the cash register.

The wireless free pour

This is another system that is commonly in use in foodservice operations dispensing liquor. This system has a radio transmitter, which transfers the data from the bottle to the software program and stores the information there in order to generate reports when the manager dictates.

The benefit of this type of program is that there are no wires to interfere with the bartender's activities, and the data is stored and available to the manager to assist in important decisions.

The downside to this system is that it does not control the portions; therefore, this system is intended for use in an operation that is confident that the bartenders are following standard recipes and are skilled enough to do so without the use of measuring devices.

Glassware

In addition to controlling the quantity of liquor used in preparing each drink, it is desirable to control the overall size of the drinks. Standardizing the glassware used for service makes this comparatively simple. It is the manager's responsibility to establish the standard portion size for each type of drink and to provide bartenders with appropriate glassware. Thus, managers standardize portion sizes by purchasing specific glassware to be used for the service of specific types of drinks and then training bar personnel to serve drinks in the proper glasses.

Although standardization of portion sizes helps control beverage costs, that alone is insufficient. It is useful to stipulate that gin and tonic is to be served over ice in an 8 – ounce glass, yet this alone does not tell bar personnel what part of the standard portion should be gin and what part mixer. This consideration is particularly important in cost control because, after all, the cost of gin is greater per ounce than the cost of tonic water, and the relative amount of each used in making the drink will affect the cost and the taste. The following two examples clearly show the difference in the cost of ingredients affected by changing proportions:

Gin and Tonic

Cost of gin: ₱45/oz.

Cost of mixer: ₱4/oz.

Gin and Tonic A

Gin—2 oz. = ₱ 90.00

Mixer—6 oz. = ₱ 24.00

Total ₱ 114.00

Gin and Tonic B

Gin—1 oz. = ₱ 45.00

Mixer—7 oz. = ₱ 28.00

Total ₱ 73.00

In both cases, the result is 8 ounces of gin and tonic. However, because the proportion has been changed, the cost of Gin and Tonic B is far less than that of Gin and Tonic A. If this particular drink were to be offered at a standard sales price of \$4.00, there would be a considerable difference between the cost - to - sales ratios as well: 28.5 percent for Drink A versus 18.25 percent for Drink B.

Figure 1
Example of Standard Glassware

Item	Size oz	Par stock at bar
Shot glass	1.25	72
Cordial	1.25	36
Cocktail	4.5	72
Champagne	9	72
Sour	4.5	72
Rocks	8.25	144
Brandy	8	36
Wine	7.75	72
Highball	8	48
Highball	10	144
Pilsner	8	72



Shot Glass
1 1/4 oz.



Cordial
1 1/4 oz.



Whiskey Sour
4 1/2 oz.



Brandy
8 oz.



Cocktail
6 oz.



Old-Fashioned
6 1/2 oz.



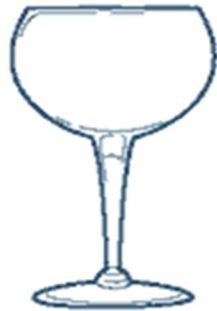
White Wine
7 3/4 oz.



Highball
8 oz.



Rocks
8 1/4 oz.



Red Wine
9 oz.



Footed Pilsner
8 oz.



Tulip Champagne
9 oz.

3.2 Establishing Quality Standards and Standard Procedures

Standard Recipes

It should be clear that to control costs, one must establish control over the ingredients that go into each drink, as well as over the proportions of the ingredients to one another. In other words, standard drink recipes must be established so that bar personnel will know the exact quantity of each ingredient to use in order to produce any given drink.

Generally speaking, bartenders prepare and serve two kinds of drinks that require liquor: straight shots with mixers, such as the gin and tonic identified earlier, and mixed drinks or cocktails, many of which involve several ingredients that must be combined in a specific way for the drink to be right.

For straight shots with mixers, the standard drink is controlled by providing the bartender with appropriate glassware of predetermined size, as well as a jigger or other device for measuring the liquor. The standard quantity of liquor for the drink is measured and poured over ice in the proper glass, and the glass is then filled with the mixer. In effect, this constitutes the standard recipe.

Each time a customer orders a scotch and soda, the bartender places a certain number of ice cubes in a glass of the proper size, adds one standard measure of the pouring brand of scotch, and fills the glass nearly to the rim with soda. Every scotch and soda prepared this way will be the same as every other. The customer's second drink will be the same as the first, and, if he or she returns to the bar in two weeks and orders a scotch and soda, that customer will be served the same drink for the same price, barring changes in management policy. Preparing drinks that are consistently the same is a major factor in establishing customer satisfaction and developing repeat business.

With mixed drinks and cocktails, establishing control over ingredients, proportions, and cost while providing drinks that are consistently the same is somewhat more complex. There are normally two or more recipes for making any given cocktail, and the resulting cocktails are often quite different from one another. For example, the two recipes that follow for a cocktail known as a Manhattan have been taken from two different drink mixing guides.

Manhattan 1

1½ oz. blended rye whiskey
¾ oz. sweet vermouth
Dash of bitters

Manhattan 2

2 ½ oz. blended rye whiskey
¾ oz. sweet vermouth
Dash of bitters

Although mixing the listed ingredients in the prescribed manner will produce a Manhattan cocktail in either case, there are substantial differences between the two. In cocktail 1, the ratio of whiskey to vermouth is more than 3 to 1; in cocktail 2, it is 2 to 1. In addition, recipe 1 produces a drink that is 1 ounce larger than that produced by recipe 2. Finally, recipe 1 costs more to make because it contains 1 additional ounce of blended rye whiskey. It is apparent that management must identify which of several

recipes will be the standard recipe used to prepare the Manhattan. Similar decisions must be made for all cocktails.

3.3 Calculating Standard Portion Costs

Straight Drinks

Calculating the standard cost of a drink is generally much easier than calculating the standard cost for a portion of food. In determining the standard cost for food, sometimes a butcher's test or cooking loss test must first be performed for the entrée. Then the cost of all items that accompany the main entrée must be determined and added to the entrée cost. Calculating the cost of a straight drink simply entails calculating the cost of one ingredient, the liquor used, and then adding the cost of the mixer or other ingredient when necessary.

The cost of straight drinks, served with or without mixers, can be calculated by first dividing the standard portion size in ounces into the number of ounces in the bottle to find the number of standard drinks contained in each bottle. This number is then divided into the cost of the bottle to find the standard cost of the drink. With the introduction of the metric system for beverage packaging, it has become necessary to convert the metric contents of bottles into their ounce equivalents.

For example, the standard portion size for the pouring brand of scotch in Wazobia hotel is 1.5 ounces. The bar uses 750 ml bottles of scotch. A 750 ml bottle contains 25.4 ounces. Dividing the 1.5 - ounce standard drink into the 25.4 ounces in the 750 ml bottle, one determines that each bottle contains 16.9 drinks, rounded to the nearest tenth.

$$\frac{25.4 \text{ oz.}}{1.5 \text{ oz}} = 16.9 \text{ drinks}$$

Because there is a small amount of spillage and evaporation in all bar operations, this can be safely adjusted to an average of 16.5 drinks per bottle. If the purchase price of the bottle is ₦17.10, then the standard cost of each of the 16.5 drinks it contains can be determined by dividing the bottle cost, ₦17.10, by the number of drinks it contains, 16.5.

$$\frac{\text{₦ } 17.10}{16.5 \text{ drinks}} = \text{₦ } 1.0364, \text{ or } \text{₦ } 1.04 \text{ rounded to the nearest cent}$$

Wazobia hotel offers several call brands of scotch as well, and the same technique is used to determine the standard cost of one standard drink of each call brand. For a premium scotch costing ₦25.80 per 750 ml bottle, the standard cost of each drink is somewhat higher:

$$\frac{\text{N}25.80}{16.5 \text{ drinks}} = \text{N}1.56$$

An alternative procedure for finding the standard cost per drink requires that one divide the cost of the bottle by the number of ounces it contains to find the cost per ounce, and then multiply the ounce cost by the standard drink size. For example, if the pouring brand of gin costs ₦10.70 per 750 ml bottle, the equivalent of 25.4 ounces, and each ounce would cost ₦0.42, not taking into consideration any loss because of spillage or evaporation.

$$\frac{\text{N}10.70}{25.4 \text{ oz.}} = \text{N}0.42$$

This ounce cost, multiplied by the standard 1.5 - ounce drink size for gin Wazobia, yields a standard cost for the standard measure of ₦0.63, as indicated in the following equation:

$$1.5\text{-ounce standard size} \times \text{N}0.42 \text{ per ounce} = \text{N}0.63 \text{ per drink}$$

The standard cost of scotch calculated this way shows ₦0.03 difference from the calculation as shown in Figure 2

Some who use this method prefer to subtract 1 ounce from the true number of ounces contained in a bottle to allow for evaporation and spillage. Using this approach, one would treat a 750 ml bottle as 24.4 ounces, and a 1 – liter bottle as 32.8 ounces.

The selection of one method rather than another depends on the preferences and those performing the calculations. Once these calculations have been completed, a common practice is to record the results on a form similar to that illustrated in Figure 2 These are updated regularly, whenever dealer prices change. In this way, up - to - date cost figures are readily available for managers to use in several ways.

One use is to calculate the cost of mixed drinks and cocktails.

Figure 2

Example of Standard Costs for Straight Drinks

Bottle code	Item	Size		Bottle cost ₦	Ounce cost ₦	Drink size oz	Drink cost ₦
		bottle	ounce				
206	Dewar's white label	750ml	25.4	17.10	0.06	1.5	1.01
332	Beefeater Gin	1.75	59.2	34.80	0.59	1.5	0.88
354	Gordon's Vodka	750ml	25.4	8.90	0.35	1.5	0.53
302	Gordon's Gin	750ml	25.4	10.70	0.42	1.5	0.63

Mixed Drinks and Cocktails

It is particularly important to determine the standard costs of cocktails and other mixed drinks. These drinks, typically prepared from standard recipes, normally have several ingredients and may require two or more alcoholic beverages. Consequently, mixed drinks are usually more expensive to make than straight drinks. Knowledge of the cost per drink is important for making intelligent pricing decisions.

To simplify the task of determining standard costs of cocktails and other mixed drinks and maintaining records of the calculations, many bar managers obtain supplies of recipe details and cost forms similar to those illustrated in Figures 3. Both forms are in common use, and both can be made up by a printer or by office workers with access to computers and photocopiers.

FIGURE 3

One Type of Standard Recipe Detail and Cost Card

Item	Gin Martini				Bar Recipe No. 53
Drink sales price	₱ 4.50				
Drink cost	₱1.02				
Cost percent	22.67%				
Ingredients	Quantity	Cost ₱			
Gordon's Gin	2oz	0.84			
Martini & Rossi Dry Vermouth	½ oz	0.14			
Cocktail olive	1ea	0.04			
Totals	2½oz	1.02			
Glassware	4oz cocktail				
Procedure	Pour gin and vermouth into glass shaker. Add cracked ice Stir gently. Strain into 3oz cocktail glass. Add olive and serve.				

The first step in determining the standard cost of a drink is to record on the form all of the information from the standard recipe for the drink. It is essential to take into account all ingredients used by the bartender in preparing the drink. The cost of a drink should include the cost of any nonalcoholic ingredients used in its preparation — fruit juices, eggs, and heavy cream are but a few of the possibilities. In addition, any garnish for a drink must be included. Garnishes can include olives, stem cherries, cocktail onions, and slices of various fruits. To arrive at the true cost of a drink, the cost of all other ingredients must be added to the cost of the basic alcoholic ingredients.

Both of the forms illustrated make provision for including the standard preparation procedure and the standard glassware. With this information recorded, management has a complete set of standard bar recipes for ready reference. Depending on the type and size of paper used, these can either be kept in a loose - leaf notebook or in a card file. For ease of use, one may be better advised to rely on a computer.

After the standard recipe has been recorded on the recipe detail and cost card, the next step is to determine the cost of each ingredient, whether alcoholic or nonalcoholic. Determining the cost of alcoholic ingredients is easier if someone has previously completed a form such as that illustrated in Figure 4 which indicates the standard costs of straight drinks. If this information is not available, additional calculations are required. To do these calculations, one must have access to bottle costs and bottle sizes. In many hotels and large restaurants, someone in an accounting office may have perpetual inventory records that include bottle sizes and costs. Alternatively, the individual responsible for beverage purchasing may keep the information in an up - to - date price book.

FIGURE 4
List of Standard Costs and Sales Prices for Straight Drinks

Straight Drinks: Scotch								
Code	Item	Bottle size		Bottle cost ₦	Ounce cost ₦	Drink size (oz)	Drinkcost ₦	Drink S.P. ₦
			oz					
200	Jack Daniel Black label	750	25.4	17.10	0.67	1.5	1.01	4.50
201	Chivas Regal Scotch	750	25.4	25.80	1.02	1,5	1.52	5.50
203	Cutty Sark Scotch	1.75	59.2	36.50	0.62	1.5	0.92	4.50
206	Dear's White Label	750	25.4	17.10	0.07	1.5	1.01	4.50
207	J&B Scotch	1.75	59.2	40.90	0.02	1.5	1.04	4.50
210	Johnie Walker Red	1.75	59.2	40,90	0.69	1.5	1.04	4.50

In smaller bars and restaurants, managers may find it necessary to obtain the information from invoices, receiving sheets, or inventory books. For nonalcoholic ingredients, such as the food items transferred from the kitchen, it may be necessary to refer to transfer memos. Alternatively, one may ask the steward for the most recent purchase prices. Exact procedures vary considerably from one place to another. In general, the exact procedure followed is of no particular significance, so long as it results in the correct cost figures for each item in the recipe.

If a form similar to that shown in Figure 3 is used, the first step is to record the size and cost of a bottle of the pouring brand. In the example shown, the 750 ml bottle of gin is recorded as costing ₦10.70. The next step is to divide the number of ounces into the cost of the bottle and to multiply the result by the number of ounces of gin in the recipe.

Once the costs of all ingredients in a drink have been determined, the figures are totaled. The result is the standard cost for a drink prepared according to the standard recipe. This cost is recorded on the line provided and divided by the sales price to determine the cost - to - sales ratio for the drink. This is recorded as the cost percent for the drink. If sales prices have not yet been determined, the cost per drink should certainly be one of the chief considerations used to set reasonable sales prices. Even if sales prices have been set before costs are calculated, all of these prices should be reviewed in light of the newly developed costs.

Computers can be used in beverage production control to maintain standard drink recipe files and to determine standard costs for drinks. If maintaining standard recipe files were the only objective, one could do so with any simple word - processing program. One approach would be to treat each standard drink as a document, give it a file name, and save it in a specified location. The individual files could be loaded, edited if necessary, and then filed or printed, depending on need. Alternatively, all standard recipes could be filed as one document, which would make it easier to print them for use in training.

A more practical approach is to maintain the standard recipes with one of the two more flexible programs: spreadsheet or database. Both permit the user to print the recipes for training and offer such other useful possibilities as determining standard costs of drinks and updating standard costs when ingredient costs change. With both the spreadsheet and database programs, information can be filed and printed selectively. For example, managers would certainly want bartenders to have the recipes, but would probably not want to give them cost data. Using the "report" function common to spreadsheet programs, the computer can be directed to print that section of the spreadsheet containing the recipe, but not the section containing the cost information. Using a database program can permit an even greater degree of flexibility.

Today, with the substantial number of software programs specifically written for beverage control, few managers are willing to devote the time and energy required to institute control with generic spreadsheet and database programs. Growing numbers of managers are simply adopting one or another of the beverage control programs similar to those illustrated at the beginning of this article. Today's

software is designed to accomplish far more than one could expect from any generic spreadsheet or database package.

Beverage control programs come in several forms and address different issues based on the type of operation. In an operation that has significant draft beer sales, one would be wise to adopt a draft beer control system, which can accurately meter or control portions for beer or wine. It should also have the ability to support multiple taps per control unit. Each tap should have the ability to pour a variety of sizes and support a variety of price levels as well. Many draft beer control systems have a flow meter system, which is designed to compensate for fluctuations in line pressure and flow rates, thus the portion

size remains constant. This feature allows for maximum yield from each keg. Finally, and perhaps most importantly, the automatic portion control means that a bartender can place the glass or pitcher under the tap, press a button, and help another customer while the container is being filled, increasing customer service and reducing the time spent on each guest.

In an operation where the sales volume is primarily mixed drinks, a manager should consider a bottled liquor control system. This type of system is covered in detail earlier in the article under the discussion on automatic pouring systems. Both of these systems have similar goals: maintain control over the amount of liquor dispensed, give consistent portions to all guests, and track the sale of every beverage poured.

3.4 Establishing Standard Sales Prices

When standard costs for standard drinks are known and listed, a list of standard sales prices should be established. An obvious reason for this is to allow sales prices to be posted at the bar or listed in a menu, depending on the type of establishment. It is generally considered good practice to maintain a complete list of current standard sales prices in the manager's office. Success with some of the techniques to be discussed in following article requires that one have access to an accurate list of sales prices.

Selling prices for similar alcoholic drinks obviously vary considerably among establishments. Reasons for the differences include the cost and quantity of the ingredients, the ambience of the establishment, the expectations of the clientele, and the desired cost - to - sales ratio. In most establishments, the cost - to - sales ratio for cocktails and mixed drinks will run between 15 to 25 percent, for beer 25 to 35 percent, and for wine 40 to 50 percent.

It is absolutely essential in any bar operation that the sales price be standardized for each drink sold, for straight drinks as well as for cocktails and other mixed drinks. When sales prices are standardized, customers can be properly charged for the drinks they order, and the prices will not vary from day to day. The possibilities for customer satisfaction are increased:

The customer who has been charged \$4.50 for a particular drink on Tuesday has reasonable assurance that an identical charge will be made for the same drink on Wednesday. In some places, a list of standardized drink prices can be found posted on a sign over the bar. In others, they may be printed in the menu. These signs and menus eliminate any possible arguments over drink prices.

Establishing the standard price of wine is relatively easy. After all, wine is served only two ways: by the bottle or by the glass. Each bottle has a known cost to the establishment. Thus the price charged to a customer is a function of that cost. In most establishments, the bottle price typically represents a 100 to 120 percent markup over cost, so the price is easily determined. For wines served by the glass, establishments typically establish the price per bottle and divide it by the number of glasses in that bottle. For, example, if a bottle of Merlot is priced at ₦20 and there are four glasses poured from that bottle, each glass would be priced at ₦5.

Pricing of premium wines can be more complicated, because these wines are typically purchased when young and increase in value as they age. In those instances, management must continually reassess their value and make selling price adjustments. Perhaps the most important purpose behind the standardization of sales prices is to maintain a planned cost - to - sales ratio for each drink. The drink costing ₦0.90 when prepared from a standard recipe and selling for ₦4.50 has a cost - to - sales ratio of ₦0.90 to ₦4.50 — 20 percent. The sale of one of these drinks results in the addition of ₦4.50 to daily sales and ₦0.90 to daily cost, the net effect being a gross profit on the sale of ₦3.60. For the drink in question, this is the desired, preplanned effect of each sale. It is not a matter of chance or a bartender's whim; it has been planned by the manager. Ingredients (and, consequently, costs) are planned.

With costs established, sales prices are set that yield acceptable cost - to - sales ratios. Product cost has a known relationship to product sales price. In addition, each sale has a known impact on gross profit. In effect, the increase in gross profit attributable to each sale is planned when management establishes the cost and sales price of a drink. Thus, it becomes possible to plan for and maintain acceptable levels of profit.

It should be noted that unless management employs one of the computer programs or devices as previously illustrated, bar operations present unique opportunities for employees to deviate from established standards and standard procedures without management's becoming aware until well after the fact.

For example, a bartender instructed to pour 1 ounce for a straight shot may instead pour 1 ounce for customers for as long as a month (one full accounting period) before management obtains data revealing that excessive beverage costs have developed. The bartender may have simply misunderstood instructions or may have been pouring the larger shots purposely to increase tips.

In either case, beverage costs would be higher than warranted, but this would not be known until beverage costs for the month had been determined and an investigation had uncovered the cause.

One might think that the cost of an extra ounce is only a small amount of money, but assume that the additional ounce of gin costs \$0.10 on the average. If we multiply that additional cost times the number of drinks served in one day, say 200 drinks, we get ₦20 additional costs per day. If we then multiply that times 31 days in a month, the potential savings figure is ₦620. Further, if management does not monitor bartenders' work or does not bother to verify beverage costs for the month, the yearly potential overrun would be ₦7,300.

For operators who do not use one of the many computer - based systems, one common approach to monitoring beverage production is to observe bartenders as they proceed with their daily work. The frequency of the observations may range from continual to occasional, depending on a given manager's perception of need. Some employees - whose honesty, ability, or receptivity to training is questionable — should probably be observed rather frequently. In making these observations, a manager attempts to determine the type of corrective action, if any that may lead to improved performance.

Other employees, whose loyalty, interest, honesty, and willingness to follow standards and standard procedures have been demonstrated amply in their daily work, need not be observed so frequently. At most, the manager would probably spot - check their work to confirm previous evaluations. If, from time to time, a spot - check suggests that a certain individual ' s performance has fallen below its previous acceptable level, the manager would be wise to focus attention more closely on the particular employee and increase the frequency of observation.

A basic prerequisite to monitoring beverage production is selecting the means to be used for observing employee performance. Essentially, there are four possibilities:

1. A manager can personally observe bar operations on a regular basis.
2. A designated employee, such as a head bartender, can observe others working at the bar and report unacceptable performance and problems to management.
3. Individuals unknown to the bartenders can be hired to patronize the bar, observe the employees, note problems, and report to management.
4. Closed - circuit television systems can be installed to permit observation of bartenders and bar operations from a remote location.

Managers who use one of the computer - based programs have a distinct advantage. Several of these programs provide nightly information comparing costs with sales, and others do not allow bartenders to pour greater amounts of liquor than established by management. Even if an operation employs a computer program or device, observation of bartenders is desirable.

By using one or more of these approaches, managers have some reasonable means for assessing employee performance and uncovering operating problems. However, this is not to suggest that the manager of any bar operation can maintain perfect control merely by adopting these approaches. As will be shown in following articles , the opportunities for employees to purposely deviate from established standards are too many and too varied to be discovered by mere observation.

4.0 Conclusion

This unit has discussed the objectives of beverage production control and the need to establish quality and quantity standards for beverage production control. With the knowledge gained in this unit, you should be able to calculate standard portion cost and sales price.

5.0 Summary

We identified the two primary objectives for establishing beverage production control: to ensure that all drinks are prepared according to managers' specifications, and to guard against the development of excessive beverage costs in the production phase of operation.

We described the standards and standard procedures commonly established to achieve these objectives, including the use devices, and standard recipes.

We discussed several computer programs and devices that allow managers to achieve the two objectives.

We identified methods for determining standard costs for straight drinks and for mixed drinks, including cocktails, and explained the importance of determining standard costs as one basis for establishing sales prices.

We explained the importance of monitoring employee performance.

Finally, we identified four methods for monitoring employee performance at bars and discussed the problems inherent in relying on these methods as the sole means for controlling production.

6.0 Tutor-Marked Assignment

Now, try your hands on different cocktail recipes.

Develop three cocktail recipes and submit them for assessment.

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ

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Unit 4 Beverage control

CONTENT

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1.0 Introduction

It is important to establish beverage control in beverage service operations. The control of beverages is the first step towards ensuring that other control measures will be effective. Beverage control will aid the provision of quality and satisfactory service to the customers as it will ensure consistent quality of food-and-beverage production and service.

Quality controls should be implemented to carry out the steps necessary to achieving and maintaining the standards set by the operation. Successful beverage control requires that specifications identifying desired quality and quantity be developed for each drink item.

2.0 Objectives

At the end of the unit, you will be able to explain:

- the essential of control system
- the methods of beverage control.

3.0 Main content

3.1 What is beverage control?

Beverage control is an essential part of beverage operations. It helps to determine and report the actual and potential sales and costs of each beverage outlet and to take measures where necessary. In any

food service establishment where income is received from the sale of drinks, a system of costing and control must be put in place. The system used will depend entirely on the policy of the establishment. Profitable beverage management requires many of the same controls as food production, including standard recipes, purchasing specifications, and presentation standards.

3.1. The essentials of control system

To have an effective control system, the following points have to be borne in mind:

- A control system should be comprehensive and cover all stages of operation.
- The cost of maintaining the system should not be higher than the savings it is expected to make.
- The control system should be easy to operate and be understood by all staff.
- It should be seen to be working by all staff.
- The information produced by such control system should be accurate and up-to-date.

3.2 Methods of beverage control

3.2.1 Potential sales value system

This system is designed to control both beverage sales and beverage costs by setting a sales value on each bottle item taken. The revenue value of each bottle is based on

- The standard size of the drink
- The contents of the bottle
- The selling price for each drink.

The sales value of each drink is the potential sales value.

This system requires established standards for a bottle code number system, drink recipes, drink sizes, glassware and par stocks to operate effectively. Any change in bottle size, drink size or recipe will affect the price of a drink, and will therefore necessitate a new calculation and price review.

The calculations to establish the potential sales values will be concerned with

- Full bottles of spirits
- Spirits sold by the glass
- Soft drinks and mineral water sales
- Cocktails.

3.2.2 Par stock/bottle control system

This is a simple and effective beverage control method. It is mostly used in small operations where control staff is few.

This method works by establishing a par stock level for each bar. This way, the number of bottles required per day, particularly, a busy day will be known. To this, a safety factor (i.e. a little allowance) is made. This will translate to the opening stock for each day.

The number and type of empty bottles will be noted and this will be the new requisition for the day.

The potential sales will now be based on the quantity issued at selling price compared to actual revenue received.

In cases where many mixed drinks are sold, adjustments will have to be made on the initial selling price in situations where potential and actual sales figures vary widely and there is need to investigate it.

The advantage of this system is its simplicity and ease of operation. It is assumed that over a short period of time, the level of partial bottles will remain relatively constant such that it becomes unnecessary to count each bottle's content to determine total sales.

3.2.3 Banqueting and function system

If the banquet section has its own storage and bars, it can be controlled in the same way like any other bar. If a bar has to be set up for each function, a requisition is made from the main cellar. At the end of the function, all unsold drinks are returned to the cellar. The difference between the number of bottles issued and the number of bottles returned will give the number of bottles used for the function. The cost of beverage here will be the actual price paid for the purchase, while the potential sales per bottle will be the selling price per drink multiplied by the standard number of drinks per bottle.

3.2.4 The inventory/ 'ounce' system

This method is considered the most accurate way of determining the amount of beverage sold. It is mostly used when investigating any discrepancy between the actual and potential results in a beverage report. It is complicated and difficult to operate for large establishments with a full range of beverage services except if it is aided by computer system.

The operation of this system will require:

- An accurate and detailed analysis of all sales by type and brand of drink sold for each selling outlet.
- The calculation of the actual consumption of each type and brand of drink based on the daily physical stock take, giving opening and closing stock levels of bars, plus any issues, and minus any transfers to other bars. All drinks sold are now converted to number of ounces of each type and brand of drink sold using the standard beverage recipe. The total consumption of each kind of drink per sales bill will now be compared with the actual consumption determined from the physical inventory.

The main disadvantages of this control system are:

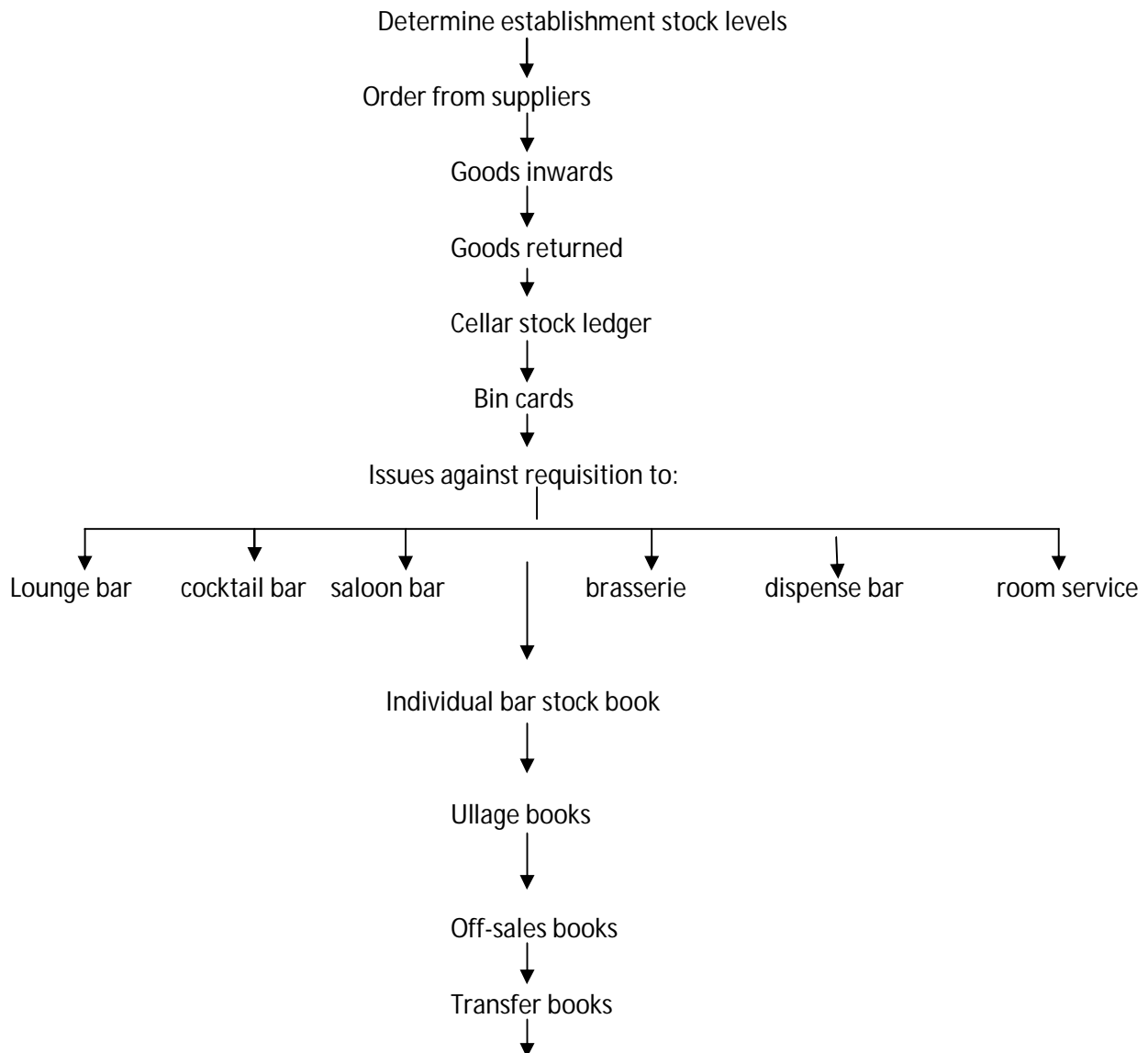
- The time required to analyse sales and take stock levels daily.
- The time taken to calculate the daily consumption for each sales outlet

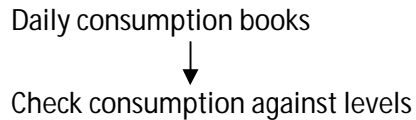
- Additional difficulties if a large number of drinks are sold, and if drinks of different sizes are sold in each sales outlet.

3.2.5 Automated beverage dispensing system

There are many mechanical and automated beverage dispensing machines all designed to assist management in controlling beverage costs. The bottles are inverted and connected to small bore pipes within a locked storeroom within each sales outlet. They ensure standard portion sizes. Drinks can be metered by the sales outlet and this helps with inventory control and the calculation of estimated bar revenue.

3.3 Summary of Basic steps in beverage control





4.0 Conclusion

This unit has discussed the various beverage control methods.

5.0 Summary

The beverage control methods include:

Potential sales value system

The inventory/ 'ounce' system

Banqueting and function system

Par stock/bottle control system

Automated beverage dispensing system

6.0 Tutor-Marked Assignment

Discuss the beverage control systems

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ

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Module 3

- Unit 1 Beverage Revenue control systems
- Unit 2 Analysis of financial statement
- Unit 3 Internal control

UNIT 1 Beverage revenue control systems

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- 1.0 Introduction
- 2.0 Objective
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 - 3.1 Manual Control systems
 - 3.1.1 Sales checks
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 - 3.1.3 Problem of manual system
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1.0 Introduction

Revenue control is an important management policy that establishes proper control over all receipts and receivables. It helps to ensure sound financial management practices. In order to control the revenue of a unit, particular attention must be paid to the major factors which can have an influence on profitability. Therefore, it is essential to control the main factors which can affect the revenue of the business. There are various systems employed in revenue control. They could be manual or automated.

2.0 Objectives

At the end of this unit, you will be able to explain:
The systems of beverage revenue control.
The operating yardsticks in revenue control

3.0 Main content

3.1 Manual Control systems

The methods employed in manual revenue control system include:

3.1.1 Sales checks

This is one of the simplest methods of revenue control. It entails the recording of each item ordered and their selling price on the waiter's sales check. It is usually in duplicate or triplicate. For efficiency, the checks should be numbered and tightly controlled. Account should be given of cancelled and missing checks.

Aside being a control measure, it serves to:

Remind the waiting staff of the order they have taken

Gives a record of sale such that portion sales, as well as sales mix and sales history can be compiled.

Assist the cashier and facilitate easy checking of prices charged.

Show the customer a detailed list of chares made.

The duplicate or triplicate checking system is used as an aid to control as follows:

They provide the kitchen, buffet, or bar with a written record of what has been ordered and issued

They authorise the kitchen, buffet or bar to issue the beverage.

They provide the opportunity to compare the top copy of the check with the duplicate to ensure that all beverages that have been issued are charged and paid for.

3.1.2 The cashier's role

In addition to following the unit's rule with regard to revenue transactions, it is normal practice for the cashier working a manual system to:

Issue check pads to the waiting staff prior to a meal period, to record the number of each pad issued and obtain the waiting staff signature for them. On completion of the meal, he is to receive back all unused check pads, record their numbers and sign for those returned.

Check the pricing, extensions and sub-totals of all checks , and to add any government tax charges and then enter the total amount due.

Receive and check money, and credit an approved signature in payment for the total amount due for each check.

To complete the missing check list for each meal period.

To complete the restaurant sales control sheet for each meal period.

To pay-in all the necessary cash in accordance with the unit's established practice.

3.1.3 Problems of the manual system

The basic problems of manual control of beverage operations are:

- The time span between purchasing, receiving storing, processing, selling the product and obtaining the cash or credit for the product is often only a few hours.
- The number of items held in stock at any time is high.
- A large number of finished items are produced from a combination of the large number of items held in stock.
- The number of transactions taking place on an hourly basis can be very high.
- To be able to control the operation efficiently, management requires control information of many types quickly and to be presented in a meaningful way.

The full manual control of a food and beverage operation would be costly, time consuming and data produced will be frequently far too late for meaningful management action to take place. Certain aspects of control- regularly updating the costing of standard recipes, calculating gross profit potentials, and providing detailed sales analysis would seldom be done due to the time and labour involved.

Other day-to-day operational problems of manual control system include:

Poor writing by waiting staff resulting in;

Incorrect orders to the bar/kitchen

Wrong food offer to the customer

Incorrect prices being charged to the customer

Poorly presented bill to the customer.

Human error can produce such mistakes as incorrect charges on bills.

3.2 Automated control system

3.2.1 Pre-checking systems

These machines look like standard cash registers except that they are designed to operate only when a sales check is inserted into the printing table to the side of the machine. Its advantages include:

- The sales check is made out and a record of it is made on audio tape before the specific item can be obtained from the bar or kitchen
- Analysis of total sales by the waiter is made on the audit tape at the end of each shift.
- No cashier is required as each waiter acts as his own cashier, keeping money collected from customers till the end of the shift.
- Each waiter has his own security key to operate the machine; there is restricted access to the machine and so, there is no other way by which pre-checks can be provided and used in exchange for items from the bar or kitchen

3.3.2 Electronic cash registers

These are very high speed machines developed for operations like supermarkets and were further adapted for use in high volume catering operations. The advantages of this machine are that they will:

- price customers' checks through pre-set or by price look-ups.
- Print checks, including printing of previously entered items.
- Have additional special key so that the pre-set price can be changed when there is need for it.
- Provide analysis of sales made by type of product and by the hour if required.
- Provide an analysis of sales by waiter per hour or per shift period.
- Analyse sales by method of payment
- Complete automatic tax, cover and service charge calculations.
- Provide some limited stock control.
- Provide waiter checking-in and checking-out facilities.
- Provide facility for operator training to take place on the machine without disrupting any information already in the machine.
- Restrict access to the ECR and the till drawer by the key or code for each cash operator.
- Have rotating turret displays of prices charged to individual customer transactions.
- Eliminates the need for a cashier as it requires each waiter to be responsible for taking payments from the customers and paying in the exact amount as recorded by the ECR at the end of each shift.

3.2.3 Point of sale control system

A point of sale control is a modern electronic cash register (ECR) with the additional feature of one or several printers at different locations - kitchen or dispense bar. Some systems replace the ECR with server terminal which may be placed at several locations within the bar or restaurant. The modification removes the cash features of the old version thus making this terminal relatively small and inconspicuous.

3.2.4 Microcomputers

A microcomputer is a computer with a microprocessor as its central processing unit. They are physically small compared to mainframe and minicomputers. In the hospitality industry, these systems were mainly applied to areas like the front office, reservations and accounting functions. The very complex area of food and beverage management received scant attention from computer firms.

The move from manual system to systems aided by mechanical cash registers, and then electronic cash registers has led to evolution of complete computer-aided control systems.

With careful selection of computer-based information systems, management will have easy and quick access to accurate and complete information related to the entire business. This will give management the benefit of adequate time to analyse the information and take appropriate action.

3.3 Control operating yardsticks

There are several operating ratios applied in beverage revenue control. Some of the most frequently used are:

a. Total food and beverage sales

The total food and beverage sales should be recorded, checked and measured against budgeted sales figures for the particular period. These figures are usually analysed daily and the food sales and beverage sales are shown separately per outlet and per meal period.

b. Departmental profit

Departmental profit is calculated by deducting the departmental expenses from the departmental sales. The departmental expenses is the sum of the cost of food and beverages sold, labour cost and overhead cost charged against the department. The profit will be expressed as a percentage of the departmental sales.

$$\frac{\text{Departmental profit}}{\text{Food and beverage sales}} \times 100$$

The departmental profit should be measured against the budgeted figures for the period.

c. Ratio of food/beverage sales to total sales

It is worthwhile for the food and beverage sales to be separated from each other, and to express each of them as a percentage of total sales. This would be a measure of performance against established standard budgeted percentage, as well as indicating general trends in the business. When trends are identified, they should be examined for necessary action.

d. Average spending power (ASP)

This measure the relationship between food sales and beverage sales to the number of customers served. For example:

If food sales is ₦350.00 and the number of customers served is 70, the average spend of each customer is ₦5.00

The average spending power for beverages is normally related to the number of items recorded on the till roll and not on the number of customers, and the total beverage sales. Thus:

if ₦200 is the recorded beverage sales and the analysis of the till roll showed that 400 drinks have been sold, the average spend per drink would be 50kobo.

The difference here is that a customer may order several drinks in an outing. Therefore the average amount spent on a drink is more important than the ASP per customer.

e. Sales mix

Sales mix measures the relationship between the various components of the total sales of the unit.

Sales mix		%
Coffee shop sales	food	20
	beverages	5
restaurant sales	food	25
	beverages	15

In addition, sales mix may be calculated for the food and beverage menus for each outlet under group headings such as spirits, cocktails, beers, wines etc. This will highlight the most and least popular items, and also help to explain a disappointing gross profit percentage in spite of a good volume of business.

f. Payroll costs

Payroll costs are expressed as a percentage of sales and are normally higher. It is vital to tightly control payroll cost as they contribute a high percentage of the total costs of running an operation.

This cost can be controlled by establishing a head count of employees per department; or establishing the total number of employees/hour allowed per department in relation to a known volume of business. In addition, all overtime must be tightly controlled and should only be permitted when absolutely necessary.

g. Index of productivity

This is calculated by the formula:

$$\frac{\text{Sales}}{\text{Payroll (including any staff benefit costs)}}$$

The index of productivity can be calculated for food, beverage, or for total food and beverage sales. This index varies depending on type of operation e.g. a fast- food restaurant with take away service would have a high index of productivity, as the payroll cost will be relatively low; whereas a luxury restaurant employing highly skilled and expensive staff, and with high ratio of staff to customers, would have a relatively low index of productivity.

Payroll costs can be controlled and related to the forecasted volume of business. A standard index of productivity can be established to measure how accurately the two elements are related.

h. Stock turnover

This is calculated by the formula:

Rate of stock turnover =

$$\frac{\text{Cost of beverages consumed}}{\text{Average stock value (food ad beverage) at cost}}$$

The rate of stock turnover gives the number of times the average level of stock has turned over in a given period. Too high a turnover will indicate very low levels of stock being held and a large number of small value purchases being made. This is costly and time consuming for whoever does the purchasing, as well as costly for the purchases as no price advantage can be taken of the standard quality offers made by suppliers.

4.0 Conclusion

This unit has shown the importance of revenue control and the approaches to ensuring there is adequate revenue control.

5.0 Summary

Revenue control has been defined as an important management policy that establishes proper control over all receipts and receivables.

There are two basic approaches to controlling beverage revenue:

Manual and automated

Manual methods are: sales checks and cashiers' roles while automated methods are pre-checking systems, electronic cash register, point of sale control systems and microcomputers.

Some control operating yardsticks are: total beverage sales, departmental profit, ratio of beverage sales to total sales, average spending power, sales mix. Payroll costs. Index of productivity and stock turnover.

6.0 Tutor-Marked Assignment

List and discuss the two systems of beverage revenue control

Explain the yardsticks used in revenue control

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ

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UNIT 2 Analysis of financial statement

CONTENT

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main content
 - 3.1 Financial statements
 - 3.1.1 Income statement
 - 3.1.2 Balance sheet
 - 3.2 Analysing financial statements
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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1.0 Introduction

2.0 Objectives

At the end of the unit, you will be able to:

Explain income statements and their purpose

Explain balance sheet and its role in financial statements

Analyse financial statements

3.0 Main content

3.1 Financial statements

Financial statements are reports that are based on the operation's accounting records and these reports provide pertinent information on the operation's activities. Management must be able to read understand and evaluate financial statements in order to control the costs.

There are two basic reports;

the income statement

the balance sheet.

Income statement

An income statement displays the profit or loss that a company has realized over a specific period, such a year. The statement reports sales, cost of sales and the other expenses. The margin between sales and costs equals the profit or loss.

Income statement is a company's financial statement that indicates how the is transformed into the net income It displays the revenues recognized for a specific period, and the costs and expenses charged against these revenues, including write-offs (e.g., depreciation and amortization of various assets) and taxes. The purpose of the income statement is to show managers and investors whether the company made or lost money during the period being reported.

The important thing to remember about an income statement is that it represents a period of time. This contrasts with the balance sheet, which represents a single moment in time.

Usefulness and limitations of income statement

Income statements should help investors and creditors determine the past financial performance of the enterprise, predict future performance, and assess the capability of generating future cash flows through report of the income and expenses.

However, information of an income statement has several limitations:

- Items that might be relevant but cannot be reliably measured are not reported (*e.g.* brand recognition and loyalty).
- Some numbers depend on accounting methods used (*e.g.* using FIFO or LIFO accounting to measure inventory level).
- Some numbers depend on judgments and estimates (*e.g.* depreciation expense depends on estimated useful life and salvage value).

The Balance sheet

The balance sheet reports the financial condition of the company at a point in time. The basic design of the balance sheet is based on the fundamental accounting equation;

Assets = Liabilities + Equity

Current assets are cash and other assets that will convert into cash within one year.

Fixed assets are the tangible permanent resources of the business.

Current liabilities are amount payable within one year.

Long term liabilities are amounts payable beyond a year.

The role of the balance sheet in financial statements

For every business, there are three important financial statements you must examine: The Balance Sheet, the income statement and the Cash Flow Statement. The balance sheet tells investors how much money the company has, how much it owes, and what is left for the stockholders. The cash flow

statement is like the checking account; it shows you where the money is spent. The income statement is a record of the company's profitability. It tells you how much money a corporation made (or lost).

Ratio analysis of the balance sheet:

1. Liquidity Ratios:

Liquidity ratios show the company's ability to pay its current liabilities.

$$\text{Current ratio} = \frac{\text{current assets}}{\text{Current liabilities}}$$

$$\text{Quick ratio} = \frac{\text{cash} + \text{marketable securities}}{\text{Current liabilities}}$$

2. Asset Management Ratios:

This shows how a company effectively and efficiently manages its assets.

$$\text{Accounts Receivable Turnover Ratio} = \frac{\text{Net Revenue}}{\text{(Net Average Accounts Receivable)}}$$

$$\text{Average Collection Period Ratio} = \frac{365}{\text{(Accounts Receivable Turnover Ratio)}}$$

$$\text{Inventory Turnover Ratio} = \frac{\text{(Cost of Goods Used)}}{\text{(Average Goods Inventory)}}$$

$$\text{Turnover Period} = \frac{365}{\text{(Inventory Turnover Ratio)}}$$

Where:

- Net Average Accounts Receivable = (Net Accounts Receivable at the Beginning of the Year + Net Accounts Receivable at the End of the Year) / 2
- Average Goods Inventory = (Goods Inventory at the Beginning of the Year + Goods Inventory at the End of the Year) / 2

3. Debt Management Ratios:

Measure Company's solvency (i.e.: company's ability to meet its long-term obligations)

- Debt-to-Equity Ratio = (Total Liabilities) / (Total Equity)

3.2 Analyzing Financial statements

Financial analysis is the process of examining components of financial statements and their relationship to other components in the statement to gain deeper understandings of the company's performance.

Purpose of income statement

The primary purpose of the income statement is to report a company's earnings to investors over a specific period of time. Years ago, the income statement was referred to as the Profit and Loss (or P&L) statement, and has since evolved into the most well-known and widely used financial report on Wall Street. Many times, investors make decisions based entirely on the reported earnings from the income statement without consulting the balance sheet or cash flow statements (which, while a mistake, is a testament to how influential it is).

Using Income Statement Analysis to Calculate Expenses, Earnings, Financial Ratios and Profit Margins

To a serious investor, income statement analysis reveals much more than a company's earnings. It provides important insights into how effectively management is controlling expenses, the amount of interest income and expense, and the taxes paid. Investors can use income statement analysis to calculate financial ratios that will reveal the rate of return the business is earning on the shareholders' retained earnings and assets (in other words, how well they are investing the money under their control). They can also compare a company's profits to its competitors by examining various profit margins such as the gross profit margin, operating profit margin and net profit margin.

Analysis of the Income Statement

Total Revenue or Total Sales

The first line on any income statement is an entry called total revenue or total sales. This figure is the amount of money a business brought in during the time period covered by the income statement. It has nothing to do with profit.

The revenue figure is important because a business must bring in money to turn a profit. If a company has less revenue, all else being equal, it is going to make less money. For startup companies and new ventures that have yet to turn a profit, revenue can sometimes serve as a gauge of potential profitability in the future.

Many companies break revenue or sales up into categories to clarify how much was generated by each division. Clearly defined and separate revenues sources can make analyzing an income statement much easier. It allows more accurate predictions on future growth.

Cost of Revenue, Cost of Sales, Cost of Goods Sold (COGS)

Cost of goods sold (COGS for short) is the expense a company incurred in order to manufacture, create, or sell a product. It includes the purchase price of the raw material as well as the expenses of turning it into a product. Cost of goods sold (COGS) is also known as cost of revenue or cost of sales.

Gross Profit

The gross profit is the total revenue subtracted by the cost of generating that revenue. In other words, gross profit is sales minus cost of goods sold. It tells you how much money a business would have made if it didn't pay any other expenses such as salary, income taxes, office supplies, electricity, water, rent, etc.

In an income statement, it is required that gross profit be broken out and clearly shown on its own line so that it cannot be missed. Gross profit is calculated thus:

Total Revenue - Cost of Goods Sold (COGS) = Gross Profit

The gross profit figure is important because it is used to calculate the gross margin.

Gross Profit Margin

Although we are only a few lines into the income statement, we can already calculate our first financial ratio. The gross profit margin is a measurement of a company's manufacturing and distribution efficiency during the production process. The gross profit tells an investor the percentage of revenue / sales left after subtracting the cost of goods sold. A company that boasts a higher gross profit margin than its competitors and industry is more efficient. Investors tend to pay more for businesses that have higher efficiency ratings than their competitors, as these businesses should be able to make a decent profit as long as overhead costs are controlled (overhead refers to rent, utilities, etc.)

To calculate gross profit margin, use this formula: $\text{Gross Profit} \div \text{Total Revenue}$

Operating Expense

The next section of the income statement focuses on the operating expenses that arise during the ordinary course of running a business. Operating expense consists of salaries paid to employees, research and development costs, legal fees, accountant fees, bank charges, office supplies, electricity bills, business licenses, and more.

The general rule of thumb is that if an expense does not qualify as a cost of goods sold, meaning it is not directly related to producing or manufacturing a good or service, it goes under the operating expense section of the income statement. There are several categories, the biggest of which is known as selling, general, and administrative expense.

The biggest challenge to controlling operating expenses is a risk known as agency cost. It is the inherent conflict between owners and managers. Those that work in the business are always going to want nicer offices, more secretaries, better facilities, faster computers, free lunches, or whatever else they can imagine. These are easier to control if you have a small business but your options are limited if you own shares in a large corporation.

Selling General and Administrative Expenses (SGA)

SGA expenses consist of the combined payroll costs (salaries, commissions, and travel expenses of executives, sales people and employees), and advertising expenses a company incurs. High SGA expenses can be a serious problem for almost any business. A good management will often attempt to keep SGA expenses limited to a certain percentage of revenue. This can be accomplished through cost-cutting initiatives and employee lay-offs.

4.0 Conclusion

This unit has shown the importance of financial statements and the procedure for analysing to be able to get the information it is supposed to give. Management's ability to read, understand and evaluate financial statements is vital in order to control costs.

5.0 Summary

Financial statements are reports that are based on the operation's accounting records and these reports provide pertinent information on the operation's activities

An income statement displays the profit or loss that a company has realized over a specific period, such a year.

The balance sheet reports the financial condition of the company at a point in time.

Liquidity ratios show the company's ability to pay its current liabilities.

The gross profit is the total revenue subtracted by the cost of generating that revenue

6.0 Tutor-Marked Assignment

Discuss ratio analysis of the balance sheet.

Explain the purpose of income statement

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ

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UNIT 3 INTERNAL CONTROL

CONTENT

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- 2.0 Objective
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 - 3.2 Problems unique to the hospitality industry
 - 3.3 Principles of internal control
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1.0 Introduction

This article discusses management accounting and management control systems. Management uses the information provided by management accounting to make decisions and implement procedures to safeguard assets, control costs, increase sales revenue, and maximize profitability. The information provided must be accurate and current to assist managers in carrying out their responsibilities.

Effective and efficient internal control policies and procedures apply to all facets of an establishment's operations, from purchases through sales. It includes control of and accountability for cash receipts, cash disbursements, and the many other assets an organization uses to conduct operations. In a small, owner-operated business, such as an independent restaurant or small motel, very few internal controls are required because the control is carried out by the owner who is usually always present and who handles all the cash coming in and the payments going out.

2.0 Objectives

At the end of the unit, you will be able to explain:
the requirements for internal control measures.
Control problems unique to the hospitality industry
The principles of internal control.

3.0 Main content

3.1 Requirements for internal control

A system of internal control encompasses the following two broad requirements:

1. Methods and procedures for the employees in the various job categories to follow.

Such procedures ensure that employees follow management policies, achieve operational efficiency, and protect assets from waste, theft, or fraud. Assets are defined as cash, credit card receivables, accounts receivable, inventory, equipment, buildings, and land. The types of safeguards needed include the use of safes for holding large sums of cash, the use of locked storerooms for inventories of food and beverage, restricted access to locations where cash and products are stored, and maintenance of all equipment in efficient working order.

2. Reliable forms and reports that will measure employee efficiency and effectiveness and lead to problem identification. These reports provide information, usually of an accounting or financial nature, that, when analyzed, will identify any problem areas that exist. This information must be accurate and timely if it is to be useful. It must also be cost effective. In other words, the benefits (cost savings) of an internal control system must be greater than the cost of its implementation and continuation.

Problems unique to the hospitality industry

Although most businesses have many shared problems relating to internal control, the hospitality business has some unique problems that often complicate and make more difficult the implementation of total control. This section discusses some of these characteristics.

Business size

Just about every hospitality operation (even if the individual property is part of a large international chain) can be described as a small business. It is generally more difficult for a small business to have as comprehensive a control system as a large business.

Cash transactions

Even though an increasingly large percentage of hospitality industry customers today use credit cards to pay for their transactions, and this trend continues, many others still pay cash, particularly in restaurants and beverage outlets. This means that there is a fair amount of cash accumulating in sales departments each day, making it easy for some of this cash to "disappear." To further complicate cash handling and its control, many hospitality operations have some departments operating around the clock.

Inventory products

Even though the assets in inventory for most hospitality operations are only a small proportion of total assets, many individual products in those inventories (such as bottles of quality wine and expensive containers of food products) are valuable to dishonest employees, who might be tempted to remove them from the establishment for personal consumption or even to sell them for personal gain.

High employee turnover

The industry is characterized by a much higher employee turnover rate than most other businesses. This means that employees often do not receive the training they need because they are often skilled, nor do they have the same loyalty to the operation that long-time employees often develop.

3.3 Principles of internal control

Some of the basic principles that provide a solid foundation for a good internal control system are discussed in this section.

Establish preventative procedures

Internal control procedures need to be preventative. In other words, they should be established so that they minimize and/or prevent theft. This is much more effective than suffering losses from theft or fraud and having a system that detects the culprits only after the event.

Establish management supervision

The majority of employees are honest by nature, but because of a poor internal control system, or, worse still, the complete absence of any controls some employees will yield to temptation and become dishonest. If management does not care, why should the employees?

Control systems, by themselves, do not solve all problems. The implementation of a control system does not remove from management the necessity to observe constantly the effectiveness of the system using supervision.

A control system does not prevent fraud or theft; but the system may point out that it is happening. Also, some forms of fraud or theft may never be discovered, even with an excellent control system. Collusion (two or more employees working together for dishonest purposes) may go undetected for long periods. The important fact to remember is that no system of control can be perfect. An effective manager will always be alert to this fact.

Monitor control systems

Any system of control must also be monitored to ensure that it is continuing to provide the desired information. The system must therefore be flexible enough to be changed to suit different needs. If a reporting form needs to be changed, then it should be changed. If a form becomes redundant, then it should be scrapped entirely or replaced by one that is more suitable. To have employees' complete forms that no one subsequently looks at is a costly exercise, and employees quickly become disillusioned when there seems to be no purpose to what they are asked to do. As well, employees may take advantage of management's disinterest and steal from the operation.

Establish responsibilities

One of the prerequisites for good internal control is to clearly define the responsibilities for tasks. This goes beyond designing an organization chart. For example, in the case of deliveries of food to a hotel, who will do the receiving? Will it be the chef, the storekeeper, a person whose sole function is to be the receiver, or anybody who happens to be close to the receiving door when a delivery arrives? Once the designated person is established, that person must be given a list of receiving procedures, preferably in writing, so if errors or discrepancies arise, that person can be held accountable.

Prepare written procedures

As mentioned, once procedures have been established for each area and for each job category where control is needed, these procedures should be put into writing. In this way, employees will know what the policy and procedures are. Written procedures are particularly important in the hospitality industry, where employee turnover is relatively high and continuous employee training to support the system of internal control is necessary.

It is impossible in this article to establish procedures that will fit every possible situation in the hospitality industry because of the wide variety of types, sizes, and styles of operation. Even in two establishments of similar nature and size, the procedures for any specific control area may differ due to management policy, type of customer, layout of the establishment, or numerous other reasons. However, for illustrative purposes only, the following might be the way a written set of procedures could be prepared for the receiver in a food operation:

1. Count each item that can be counted (number of cases or number of individual items).
2. Weigh each item that is delivered by weight (such as meat).
3. Check the count or weight figures against the count or weight figure on the invoice accompanying the delivery.
4. Check the quality of the items that are delivered.
5. If purchase specifications were prepared and sent to the supplier, check the quality against these specifications.
6. Spot check case goods to ensure that they are full and that all items in the case are of the same quality.
7. Check invoice prices against prices quoted on the market quotation sheet.
8. If goods were delivered without an invoice, prepare a memorandum invoice listing the name of supplier, date of delivery, count or weight of items, and, from the market quotation sheet, price of the items.
9. If goods are short-shipped or if quality is unacceptable, prepare a credit memorandum invoice listing items missing or returned and obtain the delivery driver's signature acknowledging that the driver is returning with the noted items or that they were short-shipped. Staple the credit memorandum to the original invoice.

11. Send all invoices and credit memoranda to the accounting office so that extensions and totals can be checked and then be recorded.

Maintain adequate records

Another important consideration for good internal control is to have good written records. For example, for food deliveries there should be, at the very least, a written record on a daily order sheet of what is to be delivered, from which suppliers, and at what prices. In this way, the designated receiver can check invoices that accompany the delivered goods against the actual goods and against the order form. The larger the establishment, the more written records are necessary.

For example, a market quotation sheet could be used so a responsible person can be designated to obtain quotes from two or more suppliers before any orders are placed. Without good records, employees will be less concerned about doing a good job, and theft and fraud are more likely to occur. The forms, reports, and other records that are part of the internal control system will depend entirely on the size and type of establishment.

Separate record keeping and control of assets

One of the most important principles of good internal control is to separate the functions of recording information about assets and the actual control of the assets. Consider the accounts of the guests who have left a hotel and have charged their accounts to a credit card or company account. Such accounts are assets—accounts receivable—and in some hotels are left in the front office until payment is made. These accounts are known as city ledger accounts. Checks received in payment are given to the front office cashier, who then records the payments on the accounts. These checks, along with other cash and checks received from departing guests are turned in as part of the total remittance at the end of the cashier's shift. As long as the cashier is honest, there is nothing wrong with this procedure!

The separation of asset control and asset recording does not pertain only to cash. For example, food and beverage inventories maintained in a storeroom may be controlled (received and issued) by a storekeeper, but it is often a good idea to have the records of what is in the storeroom (e.g., perpetual inventory cards) maintained by some other person.

Limit access to assets

The number of employees who have access to assets such as cash and inventory should be limited. The larger the number of employees with access, the greater is the potential for loss from theft or fraud. In the same way, the amount of cash and inventory should be kept to a minimum. This requires a balancing act, because cashiers need to have enough cash to make change and the store's departments need sufficient inventory so they are not continually running out of products and are unable to satisfy customer demand. Also, control procedures for access to those assets should not be so cumbersome that they severely restrict efficient operations.

Conduct surprise checks

Surprise checks such as counting cash or taking inventory should be carried out at unusual times. Two principles are involved here: First, the person conducting surprise checks should always be independent of the part of the operation being checked. In other words, the person who normally takes the month-end storeroom inventory should not be the person who makes the surprise check. Second, such surprise checks should be carried out frequently enough that they become routine, but not scheduled in a predictable pattern.

Divide the responsibility for related transactions

Responsibility for related transactions should be separated so the work of one person is verified by the work of another. This is not to suggest duplication of work—that would be costly—but to have two tasks that must be carried out for control reasons done by two separate employees. This procedure keeps one person from having too much control over assets and may prevent their theft.

For example, many restaurants record items sold and their prices on handwritten sales checks. These checks, when the customers pay, are then inserted in a cash register that prints the total amount paid on the sales check, and on a continuous audit tape. At the end of the shift or the day the machine is cleared, the total sales revenue is printed on the audit tape, which is then removed by the accounting department. The total cash turned in should agree with the total sales on the audit tape.

But even if there is agreement, there is no guarantee that the audit tape figure is correct. Overrings or underrings could occur, or a sales check might have been rung up more than once or not rung up at all, or might have been rung up without being inserted in the register. If the same transaction was rung up twice, the cash would be short and the overring would identify the cash shortage. However, if a cash transaction is not rung up, a cash overage would exist, which could be stolen by the cashier. Because of all these possibilities, further control over sales checks is needed

First, the prices, extensions, and additions of all sales checks should be verified (if time does not allow this daily, then it should be done on a spot-check basis). Then the sequence of numbers of sales checks turned in should be verified to make sure there are no missing sales checks. Finally, an adding machine listing of sales checks should be made. Assuming no errors were made on this adding machine listing, the total on this listing should be reconciled against the cash turned in. If no cashier errors were made, the register audit tape will also agree with the adding machine listing.

A person other than the cashier and server should verify the sales checks for prices, extensions, additions, and other changes to ensure that there are no missing sales checks. This person should also prepare the adding machine tape. In this way the responsibility for sales revenue control is divided, and

Explain the reasons

Employees who carry out internal control functions should have the reasons they are asked to perform these tasks explained to them. For example, in the previous section it was suggested that a second person verify the work of the cashier. The losses that can occur from servers making errors in pricing items on sales checks, in multiplying prices by quantities, and in totalling sales checks could add up to many dollars. So could losses from missing sales checks where cash was received from the customer, but a dishonest server or cashier kept the cash and destroyed the sales check. The importance of minimizing these losses should be explained to the employee doing the task

Rotate jobs

Wherever possible, jobs should be rotated. This may be difficult to do in a small establishment with few employees. In a larger operation, cashiers could be moved from one department to another from time to time, or accounting office employees could have their jobs rotated every few months. Employees who know they are not going to be doing the same job for a long time will be less likely to be dishonest.

The possibilities of collusion are also reduced because the same two employees will not work together for a long time. Job rotation also has another advantage in that it prevents employees from becoming bored with their tasks. It also builds flexibility into job assignments and will give the employees a better understanding of how the various jobs relate to each other.

Use machines

Whenever possible, machines should be used. Although machines cannot prevent all possibilities of theft or fraud, they can vastly reduce these possibilities. The installation of a machine may also reduce labor cost if an employee is no longer required to perform a task manually. Such machines include front office billing/ audit equipment, restaurant and bar cash registers and/or point-of-sale systems (POS), and mechanical or electronic drink-dispensing bar equipment. For example, an electronic POS will eliminate many of the losses from the types of errors mentioned earlier. Also, the saving in labour (because the manual verifications will no longer be required) will contribute toward the cost of the equipment.

Set standards and evaluate results

One of the requirements of a good internal control system is not only to control the obvious visible items, such as cash or inventory, but also to have a reporting system that indicates whether all aspects of the business are operating properly. For example, one of the many benchmarks used in the food industry to measure the effectiveness of the manager is the food cost percentage. Management needs to know whether the food cost percentage actually achieved is close to the standard cost desired. Therefore, the manager must have a standard to which the actual cost information will be compared.

Once procedures have been established and the various employees have been given detailed written

guidelines about how to perform tasks, standards of performance should be established. Later in this article, we shall see how cost control standards can be established and actual results evaluated.

Design forms and reports

To evaluate results, forms and reports to provide information about all aspects of the business need to be designed. Properly designed forms or reports will provide management with the information it needs to determine whether standards are being met and to make decisions that will improve the standards, increase performance, and ultimately produce higher profits. The manager's daily report, shown earlier in Exhibit 4.6, is one type of form. Another set of standards derives from budgets and budget reports that allow actual results to be compared with those budgeted. Budgets are discussed.

Bond employees

Consideration should be given to bonding employees. For example, fidelity bonds protect the operation from losses incurred by employee dishonesty because the establishment is reimbursed up to the face value of the insurance policy for the loss suffered.

4.0 Conclusion

Going through the points raised in this unit, it will be understood that internal control is a factor that touches on all areas of operation. Management policies should therefore be clear and firm for it to succeed in its internal control measures.

5.0 Summary

Two major internal control requirements are

Methods and procedures for the employees in the various job categories to follow.

Forms and reports that will measure employee efficiency and effectiveness.

Internal control problems peculiar to hospitality industry are business size, cash transactions, inventory products and high employee turnover.

Numerous principles of internal control some of which are:

Establish preventative procedures

Establish preventative procedures

Set standards and evaluate results

6.0 Tutor-Marked Assignment

State the internal control requirements.

Discuss the internal control problems peculiar to the hospitality industry.

Explain the principles of internal control.

7.0 References/Further Reading

Bernard Davis and Sally Stone (1989) Food and beverage Management. ELBS Heinemann Publishers, Oxford.

Eric, F. Green, Gallen G. Drake and Jerome, F. Sweeny (1986) Profitable Food and Beverage Management. Hayden Book Company, Inc. NJ

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