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by Ida Ayu Elistyawati

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ANALYSIS OF FOOD COST CONTROL AT THE ONE LEGIAN HOTEL

I Wayan Arya Pradiptha¹, Lien Darlina², Ida Ayu Elistyawati³

^{1,2,3}Tourism Department, Politeknik Negeri Bali

email: aryapradiptha11@gmail.com, darlina@pnb.ac.id, ayuelistyawati@pnb.ac.id.

ABSTRACT

This study focuses on food costs controlling with special reference to the hospitality industry. The purpose of this research is to know the control of food cost at The ONE Legian Hotel in May, June, July 2017, and to identify the cause of food cost percentage's variance between actual food cost and standard food cost. This research uses two methods of data analysis : 1) Quantitative method is use to determining the variance between the standard with actual food cost reconciliation, and calculating variance by using the one way methods analysis which refers to Mulyadi (1995 : 425) to know the profit or loss that caused by the variance, 2) Qualitative descriptive method by giving interpretation about data of standard and actual food cost reconciliation. Data collection method in this research are interview, observation, documentation review, literature review. The results of this research indicate that: (1) food cost controlling at The ONE Legian Hotel in May and June has been run well, but in July the implementation did not run well, this is indicated from the happening of the adverse variance between actual food cost with standard food cost, (2) an increase of the food cost reconciliation's percentage between the actual from standard budgeted in May, June and July due to an increase in total incoming stocks, gross consumption and net consumption, beside that, the increase in food cost percentage also caused by the decrease of total opening inventory, total inventory available, total closing inventory, or decrease of elements of food adjustment, and net food sales.

Key words: Cost, Cost Control, Standard Food Cost, Actual Food Cost.

INTRODUCTION

The main revenue source of a hotel generally comes from the sale of rooms, but there are also other sources of income that support the income of a hotel, among others; restaurant, bar, spa, gym, room service, souvenir sales, transport service, telephone rental, guest laundry, and business center. The ONE Legian Hotel benefits from other revenue sources, in addition to room sales, by selling food at The DECK restaurant, Rooftop restaurant, and room service.

To maximize revenue on food sales, management must streamline the management of food production, so supervision and control of food costs by a Food & Beverage Controller must be in place so that the hotel can maximize its income in the food sales sector. Efforts that can be made in measuring the efficiency of food

cost control is to set the standard food cost (standard food cost), this is the benchmark of the success of the control of food costs.

The ONE Legian Hotel management set the standard food cost at 32%, this percentage is determined by looking at the amount of payroll and profit on food sales, the percentage formula can be seen in table 1 below:

Table 1
 Percentage distribution to determine food cost
 at The ONE Legian Hotel May 2017-July 2017 period

Food Revenue 100%		
Devider	Percentage	Description
Payroll	20%	Fixed
Profit	45%	Fixed
Other	3%	Not Fixed
Standard Food Cost	32%	Not Fixed

Source: The ONE Legian Hotel, 2017.

The percentage's comparison between actual and standard food cost at The ONE Legian Hotel for the period of May 2017 to July 2017 can be seen in table 2 below:

Table 2
 Comparison Between Actual Food Cost and Standard Food Cost
 at The ONE Legian Hotel Period May-July 2017

Month	Food Cost		
	Actual	Standard	Variance
	%	%	%
May	32.84	32.00	0.84
June	34.14	32.00	2.14
July	34.00	32.00	2.00

Source: The ONE Legian Hotel (processed data), 2017.

Table 2 shows that there is a variance between actual food cost and standard food cost in the period May to July. Management The ONE Legian Hotel has a limit of tolerance of the difference of 1%. If the actual food cost exceeds 1% of the standard food cost, then the sale of food does not run efficiently as planned and can reduce profits. Otherwise, if actual food cost in accordance with the target or not exceed 1% of the standard food cost, the food production process is running efficiently and can be sure the profit from the sale of food can be maximized. Any variance above the tolerance value needs to be analyzed for known the causes, then take corrective action and find the right solution to solve the problem.

The food cost is all food ingredients used to produce a kind of food (Wiyasha, 2007: 10). Kasavana and Smith to Suarsana (2007: 4) states that, "The food cost is the cost that occurs during processing until the presentation or so that the food is ready to be served to guests". Based on the statement, it can be concluded that food cost is the amount of the cost of food stuffs used to produce a food type that will be served to customers (guests).

According to Mulyadi (1995: 424) the difference in the cost of raw materials is the difference in costs caused by the variance between the cost of raw materials that actually occur with the cost of standard raw materials. This cost difference could be due to: (1) The variance between the real price and the standard price. (2) The variance between the actual quantity and the standard quantity. Of the two causes above, to calculate the profit or loss caused by the variance of food cost reconciliation according to Mulyadi (1995: 425) can be solved by the one way model, can be calculated by the following formula.

$$St = (Hst \times Kst) - (Hs \times Ks)$$

Description :

St = Total Variance

Hst = Standard Cost

Hs = Actual Cost

Kst = Standard Quantity of Food Sold

Ks = Actual Quantity of Food Sold

If $Ks > Kst$ = loss variance (controlling run unwell)

If $Ks < Kst$ = profit variance (controlling run well)

RESEARCH METHODS

The research was conducted for the period May, June, July 2017 at The ONE Legian Hotel. The data used are food cost reconciliation report and food sales data in May, June, July 2017.

This research uses quantitative analysis technic and descriptive qualitative analysis technic to analyze research data. In quantitative analysis, it is use to determining the variance between standard and actual food cost reconciliation, using the following formula:

$$\text{Variance elemen food cost reconciliation} = \text{actual elemen} - \text{standard elemen}$$

$$\text{Percentage variance elemen} = \frac{\text{Variance elemen}}{\text{Standard elemen}} \times 100\%$$

In addition, quantitative analysis technic can also be calculated using the one-way method, according to Mulyadi (1995: 425) can be calculated by the following formula:

$$St = (Hst \times Kst) - (Hs \times Ks)$$

In qualitative analysis descriptive activities undertaken to solve problems is to provide interpretation of data from the variance between standard and actual food cost reconciliation.

Data collection methods in this research were interviews, observation, documentation study, literature study, and data analysis techniques using quantitative analysis technic and qualitative descriptive analysis technic.

RESULTS AND DISCUSSION

By comparing food cost reconciliation between standard food cost which is budgeted with actual food cost, it shows the existence of percentage variance in May 2017 period, where actual food cost happened 32,84% exceeded 0.84% from standard food cost that is 32.00%, but difference in May is still within the tolerance level of management because it does not exceed 1%. In June 2017 the actual food cost incurred by 34.14% exceeded 2.14% of the standard food cost of 32.00%. In July 2017 the actual food cost that occurred at 34.00% exceeded 2.00% of the standard food cost of 32.00%.

Table 3
 Comparison of Food Cost Reconciliation
 between Standard and Actual Period of May 2017

Description	Standard	Actual	Variance	Variance
	(Rp)	(Rp)	(Rp)	(%)
Total Opening Inventory	126,231,855.37	77,071,672.91	(49,160,182.46)	-38.94
Total Incoming Stocks	256,713,647.82	220,002,970.52	(36,710,677.30)	-14.30
Total Returned Stocks	-	-	-	0.00
Beverage For Cooking	2,625,000.00	-	(2,625,000.00)	-100.00

Total Inventory Available	385,570,503.19	297,074,643.4 3	(88,495,859.76)	-22.95
Total Closing Inventory	111,053,516.66	93,709,459.65	(17,344,057.01)	-15.62
Gross Consumption	274,516,986.53	203,365,183.7 8	(71,151,802.75)	-25.92
Total Compliment Cost	11,368,648.00	6,618,441.55	(4,750,206.45)	-41.78
Total Department Expenses	20,721,057.51	24,902,649.48	4,181,591.97	20.18
Total Food Adjustment	32,089,705.51	31,521,091.03	(568,614.48)	-1.77
Net Consumption	242,427,281.02	171,844,092.7 5	(70,583,188.27)	-29.12
Net Food Sales	757,607,503.00	523,296,567.7 7	(234,310,935.23)	-30.93
Cost : Sales	32.00%	32.84%		0.84%

The increase in food cost percentage by 0.84% in May 2017 is due to: There was a decrease of opening inventory by 38.94% from standard, incoming stocks decreased by 14.30% from standard, cost of beverage for cooking decreased by 100.00% from standard, total inventory available decreased by 22.95% from standard, total food adjustment decreased by 1.77% from standard, net consumption decreased by 29.12% and net food sales decreased 30.93% from the target.

Actual food cost in May 2017 was 32.84% beyond the standard food cost causing the percentage difference of 0.84%. This difference is still within the tolerance limit of 1% applied by management.

Table 4
Comparison of food cost reconciliation between standard and actual period of June 2017

Description	Standard	Actual	Variance	Variance
	(Rp)	(Rp)	(Rp)	(%)
Total Opening Inventory	111,053,516.66	93,709,459.65	(17,344,057.01)	-15.62
Total Incoming Stocks	271,760,192.64	204,126,224.50	(67,633,968.14)	-24.89
Total Returned Stocks	-	-	-	0.00
Beverage For Cooking	2,625,000.00	875,926.89	(1,749,073.11)	-66.63
Total Inventory Available	385,438,709.30	298,711,611.04	(86,727,098.26)	-22.50
Total Closing Inventory	113,677,112.02	106,336,137.94	(7,340,974.08)	-6.46
Gross Consumption	271,761,597.27	192,375,473.10	(79,386,124.17)	-29.21
Total Compliment Cost	11,368,648.00	3,991,936.54	(7,376,711.46)	-64.89

Total Department Expenses	20,721,057.51	26,096,381.54	5,375,324.03	25.94
Total Food Adjustment	32,089,705.51	30,088,318.08	(2,001,387.43)	-6.24
Net Consumption	239,671,891.76	162,287,155.02	(77,384,736.74)	-32.29
Net Food Sales	749,038,589.00	475,381,085.12	(273,657,503.88)	-36.53
Cost : Sales	32.00%	34.14%		2.14%

The increase in food cost percentage by 2.14% in June 2017 is due to: Decreased opening inventory by 15.62% from standard, incoming stocks decreased by 24.89% from standard, cost of beverage for cooking decreased by 66.63% from standard, total inventory available decreased by 22.50% from standard, total food adjustment decreased by 6.24% from standard, net consumption decreased by 32.29% from standard, and net food sales decreased by 36.53% from the target.

Actual food cost in May 2017 was 34.14% beyond the standard food cost causing the difference in percentage by 2.14%. This difference exceeds the 1% margin of tolerance applied by management.

Table 5
Comparison of food cost reconciliation between standard and actual period of July 2017

Description	Standard	Actual	Variance	Variance
	(Rp)	(Rp)	(Rp)	(%)
Total Opening Inventory	113,677,112.02	106,336,137.94	(7,340,974.08)	-6.46
Total Incoming Stocks	277,512,404.14	215,155,875.95	(62,356,528.19)	-22.47
Total Returned Stocks	-	-	-	0.00
Beverage For Cooking	2,625,000.00	1,529,363.32	(1,095,636.68)	-41.74
Total Inventory Available	393,814,516.16	323,021,377.21	(70,793,138.95)	-17.98
Total Closing Inventory	91,953,358.36	92,458,587.40	505,229.04	0.55
Gross Consumption	301,861,157.80	230,562,789.81	(71,298,367.99)	-23.62
Total Compliment Cost	11,368,648.00	5,716,736.97	(5,651,911.03)	-49.71
Total Department Expenses	52,810,763.02	30,216,128.85	(22,594,634.17)	-42.78
Total Food Adjustment	64,179,411.02	35,932,865.82	(28,246,545.20)	-44.01
Net Consumption	237,681,746.78	194,629,923.99	(43,051,822.79)	-18.11
Net Food Sales	742,827,184.00	572,435,020.01	(170,392,163.99)	-22.94
Cost : Sales	32.00%	34.00%		2.00%

The increase in food cost percentage by 2.00% in July 2017 is due to: There was a decrease of opening inventory by 6.46% from standard, incoming stocks decreased by 22.47% from standard, cost of beverage for cooking decreased by 41.74% from standard, total inventory available decreased by 17.98% from standard, total food adjustment decreased by 44.01% from standard, net consumption decreased by 18.11% from standard, and net food sales decreased by 22.94% from the target.

Actual food cost in May 2017 amounted to 34.00% beyond the standard food cost which resulted in 2%% difference in percentage. This difference exceeds the 1% margin of tolerance applied by management.

To know the profit or loss of a food cost control, it can be calculated by using the one way method.

1. The one way analysis for food cost in May 2017 can be calculate as follows :

$$\begin{aligned} St &= (Hst \times Kst) - (Hs \times Ks) \\ &= (Rp 242.427.282 \times 8.500) - (Rp 171.844.093 \times 9.546) \\ &= Rp 2.060.631.897.000 - Rp 1.640.423.711.778 \\ &= Rp 420.208.185.222 \text{ (profit variance) means controlling run well.} \end{aligned}$$

2. The one way analysis for food cost in June 2017 can be calculate as follows :

$$\begin{aligned} St &= (Hst \times Kst) - (Hs \times Ks) \\ &= (Rp 239.671.892 \times 8.000) - (Rp 162.287.155 \times 9.431) \\ &= Rp 1.917.375.136.000 - Rp 1.530.530.158.805 \\ &= Rp 386.844.977.195 \text{ (profit variance) means controlling run well.} \end{aligned}$$

3. The one way analysis for food cost in July 2017 can be calculate as follows :

$$\begin{aligned} St &= (Hst \times Kst) - (Hs \times Ks) \\ &= (Rp 237.681.747 \times 8.000) - (Rp 194.629.924 \times 10.188) \\ &= Rp 1.901.453.976.000 - Rp 1.982.889.665.712 \\ &= - Rp 81.435.689.712 \text{ (loss variance) controlling run unwell.} \end{aligned}$$

CONCLUSIONS AND SUGGESTIONS

From the discussion results about food cost control at The ONE Legian Hotel it can be concluded that: (1) An increase in the percentage of food cost

reconciliation between the actual from standard budgeted in May, June and July was due to an increase in total incoming stocks, gross consumption and net consumption. Beside that, the increase in food cost percentage is also caused by the decrease of total opening inventory, total inventory available, total closing inventory, or decrease of elements of food adjustment, and net food sales. (2) There is an increase in the cost of standard food cost reconciliation's elements from the budgeted due to: (a) Incompatibility in the processing of food raw materials in the field with standard recipe and standard portion size has been established. (b) Market survey and price discrepancy are rarely done by the purchasing and cost control. In ordering goods only based on price list submitted by suppliers, so the price of goods tends to be more expensive and make the level of raw material purchases not in line with the level of food sales revenue. (3) Spoil food items are not recorded in detail, so that it will affect the profit from the sale of food. (4) From the results of the one way analysis, it can be stated that The ONE Legian Hotel has implemented food cost controls well in May and June because it produced a profit variance, but in July control of food cost was not implemented well because it resulted a loss variance.

Based on the calculation of the variance of standard and actual food cost reconciliation, as well as the one way analysis, showing an adverse variance, this means that the cost of the company is bigger than the budgeted standard, so (1) The Cost Controller section should further improve the cooperation with F & B Department in this case F & B Manager and Executive Chef, to monitor the use of food items to be processed in accordance with standard recipe and standard portion size. The most important thing to be observed in this case is the meat processing done by the Butcher section. (2) The Cost Controller section should further improve the cooperation with the Purchasing to control the purchase price of food items so that the price obtained is the lowest price without reducing the quality of materials that should be used, so that the level of raw material purchases in line with the level of food sales revenue. (3) The Cost Controller section should increase supervision on the store to minimize the loss of goods and can reduce the percentage of spoil goods.

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