

Sales Control

a. Factors to be considered while fixing selling price -

- i) it should cover all costs,
- ii) it should be reasonable for the guest in terms of Value For Money (VFM),
- iii) It should generate reasonably good amount of profit.

b. Calculation of Selling Price / Menu Pricing

The various ways of determining Selling Price / Menu Price are-

i) Cost Approach -

- ✓ Cost Plus - Is determining the Food Cost (FC) and multiplying it two & half times or it is 250% of food cost -

$$\text{Selling Price} = \text{FC} \times 2.5 \text{ or } \text{FC} \times 250\% \text{ or } \text{FC} + 150\% \text{ of FC}$$

- ✓ Gross Profit (GP) Method -

Selling Price = FC + GP (Where GP= Labour Cost + Overhead Cost + Net Profit),

Calculating FC and taking it to be to be 40%, then GP is 60%

- ✓ Return on Investment - The total investment is calculated and a mark up is decided on it, e.g.: 20% on the investment, and now pricing is done in a way that the investment and the mark up is brought back / recovered within a specific period of time.

E.g., if the investment is Rs. 1,00,000 and 20% mark up being Rs. 20,000, one must now calculate a return on Rs. 1,20,000.00 within a specific period of time.

ii) Market approach -

- ✓ Copying Competitors' Price - copy the menu price of the competitors of the same grade.
- ✓ Going Rate / Customary Rate - it is pricing the commodity according to its current prevailing rate in the market, e.g. - soft drinks are priced Rs. 10 for 300 ml.

❖ Pricing Policies-

- ✓ Psychological Pricing - this is pricing the commodity at that price buying at which the customer would feel he / she has paid less than the real value, e.g. - pricing at Rs. 99/ Rs. 499
- ✓ Loss Leader - these are items which are sold below or at par with their cost price to attract customer towards it and then the customer ends up buying other products.
- ✓ Skimming Pricing - in this case the product is sold with large profit margin, the idea is to make as much as profit possible in a short period. Generally done by established brands with innovative / new product.

- ✓ Market Penetration Pricing - in this the product is sold with a little profit margin, the idea is to get into the market and make the product known to the buyer. Generally done by new companies when introducing their products and gain market share.

c. Matching Costs with Sales –

Reconciliation of food cost is a summary of food cost and sales made from the monthly closing. It is submitted to the management and is send to the head office in case of the chain hotels.



IHM NOTES

ABC HOTELS LTD.
MONTHLY COST RECONCILIATION

Date -

	Rs.	P	Rs.	P
Gross Food Revenue	xxxx	xx		
Less Rebate	aaa	aa		
Net Food Revenue			yyyy	yy
Add : Opening Inventories -				
Add : Storeroom	bbb	bb		
Add : Production	ccc	cc		
Add : Purchase	ddd	dd		
Total Available	eee	ee		
Less : Closing Inventories -	fff	ff		
Less : Storeroom	ggg	gg		
Less : Production				
Gross Cost of Food Consumed	hhh	hh		
Less Credits	iii	ii		
Net Cost of Food Sold			jjj	jj
Food Cost % = (jjj.jj / yyyy.yy) x 100				

d. Billing Procedure –

i) Cash Sales – customer pays in cash, a copy of the bill is sent to the accounts along with the K.O.T., the K.O.T. is then forwarded to F&B Controls.

ii) Credit Sales –

❖ Customer pays through credit card, a copy of the bill is sent to the accounts along with the K.O.T. and the credit card charge slip (which is to be realized later), and the K.O.T. would be forwarded to F&B Controls.

❖ For a house guest, he / she signs on the bill, which is sent to the front office to realize from the guest while he / she is checking out.

e. Cashier's Sales Summary Sheet –

It is taken out during closing / at end of the day which gives details about total sales and also does the K.O.T. analysis.

ABC HOTELS LTD.				
CASHIER'S SALES SUMMARY SHEET				
DATE -				
Sl. No.	Bill No.	KOT No.	Amount	Remarks
	Total			

f. Computation of Staff meal –

Costing of staff meals can be considered as follows –

- i) Having a separate staff kitchen which has separate requisitions for staff meals.
- ii) If there is no separate kitchen for staff then, having a fixed amount dedicated towards the cost of staff meals (for e.g. – Rs. 10 per employee per lunch / dinner) and the employee contribution can

be subtracted from it (for e.g. an employee has to pay Rs. 5 per lunch / dinner).



IHM NOTES