

Glossary

A

A la carte Menu items that are priced individually or separately.

Access control A system that authorizes or denies access to a restricted area.

Accounting period Financial period of time based on a company's established policies. Could be monthly, yearly, or another measure of time.

Accrual System of reporting revenue and expenses in the period in which they are considered to have been earned or incurred, regardless of the actual time of collection or payment.

Actual cost The product cost that appears on the profit and loss statement as expenditures.

Actual recipe unit cost The cost of each ingredient in a menu.

Ambience The atmosphere of an operation, including (but not limited to) its sounds, sights, smells and team attitude.

As-purchased price (AP) The original price paid for a product.

Available guests The percentage of the total registered guests that may come to dine in a hotel restaurant.

Average (inventory) age A figure used to determine inventory effectiveness in days; with years of reliable average age data, and expected sales levels, the manager can predict inventory balances for budgeting purposes.

Average check The average sale value of food, beverages, or food and beverage combined revenue. Derived by dividing total or categorical revenue by number of customers served in a period.

B

Bartering Trading goods and services without the exchange of money.

Base price The actual unit price excluding discounts, shipping, taxes and other services.

Beginning inventory The quantity and value of food and beverage products on hand at the beginning of an accounting period.

Bid sheet A sheet used to record and compare item prices of different vendors in order to select the best-priced items.

Bin cards A manual system for keeping track of inventory items.

Bin number A specific reference number assigned to an inventory item.

Bottle mark A label or ink stamp with company information, to identify bottled products as company property.

Bottom line Used synonymously with profit.

Break-even point The relationship between volume of business produced and the resulting sales income, expenditures, and profits or losses.

Budget A company's plan of operation for a specified period of time that forecasts activity and income, sets limits on expenditures, and establishes any other disposition of company funds.

Butcher test A yield test used to determine the actual portion cost of meat, poultry, fish, or seafood after accounting for waste, trim, and cooking losses.

C

Capital budget A budget of capital expenditures, such as equipment, building and other fixed assets.

Capture ratio The number or percentage of customers a restaurant attracts, depending on set variables such as marketing, convention business or menu offerings.

Cash bar Opposite of **host bar**; individual customers are required to pay for drinks.

Cash budget Management's plan for cash received and cash disbursement.

Cash flow A stream of receipts (inflows) and payments (outflows) resulting from operational activities or investments.

Cashier banking A system where a cashier settles each check and is responsible for the transaction.

Circled count A periodic and random spot check of perpetual inventories. The objectives are early detection and correction of discrepancies, and accurate reporting of inventory value and quantity on hand.

Communication The ongoing process of exchanging information between different departments and people in an organization.

Compound interest Interest calculated based not only on the original principle but also on any of the unpaid interest.

Consignment purchasing A merchandising technique in which payment for the goods is deferred until they are resold by the buyer.

Consistency In purchasing, means that the products purchased remain the same at all times..

Contract price A commitment to buy a group of items at a certain price.

Contribution margin (CM) Contribution to profit and overhead costs; or, the excess of an item's revenue after subtracting product cost.

Controllable expenses Expenses over which management may exercise control.

Costs The sum of all money paid out during a given period of time.

Cost allocation The process of distributing costs among departments.

Cost factor The ratio of the cost per servable pound to the purchase price per pound.

Cost of sales Food and beverage cost for menu items during an accounting period.

Cost per purchased pound Purchase price of a cut of meat divided by the weight in pounds.

Cost per servable pound The cost derived from butcher test results. Calculated by subtracting secondary costs from the purchase price, and dividing by the weight of the primary cut.

Cost-plus Pricing method which involves paying the vendor's actual product cost plus a certain, fixed percentage.

Covers The number of meals served.

Credit memo Used to record a credit due from a supplier when the merchandise received does not conform to what was ordered. The discrepancy could be in terms of quality, quantity, specification, and/or price.

Current assets Assets that are expected to be converted to cash within one year. They include cash, inventory, and accounts receivable.

Current ratio The relationship between current assets and liabilities; measures the liquidity of a company.

D

Database Collection of records or files containing information for users.

Dead stock Stock without significant inventory movement in sales due to menu or service changes.

Decision package A document that describes the level of effort required to meet objectives.

Depreciable assets Assets such as computers, vehicles, or equipment that will depreciate in value.

Direct competition refers to the homogeneous environment; for example, all the restaurants nearby that offer the same type of menu that you want to offer.

Direct issue A purchase charged directly to a receiving outlet.

Direct cost Costs related to direct purchase or transfer.

Dog A menu engineering classification of items which are neither profitable nor popular.

Dram shop law A law requiring that not only must the consumer take responsibility for his or her actions while intoxicated; so too must the provider of the alcohol.

E

Economical order quantity (EOQ) Inventory decision model which calculates the optimal amount to order based on fixed costs of placing and receiving an order, carrying costs of inventory, and sales. EOQ is used extensively in the purchasing department.

Elasticity of demand The responsiveness of buyers to changes in price, defined as the percentage change in the quantity demanded divided by the percentage change in price.

Elasticity of supply Responsiveness of output to changes in price, defined as the percentage change in the quantity supplied divided by the percentage change in the price.

Ending inventory The quantity and value of inventory on hand at the end of an accounting period.

End-of-month Transaction period, such as the due date for receivables or the date of a closing inventory.

End product (EP) refers to final yield after processing.

End-product price refers to the price of usable product, including the price of wastage.

Ethanol is alcohol.

Expense control refers to managing expenses according to budget.

F

Financial balance sheet A statement reporting on the financial position of a business by presenting its assets, liabilities, and equity on a given date.

Financial position An account or status of a company's assets, liabilities, and equity as of a certain time, as shown on its financial statement.

Financial statement A written record of the financial status or position of a company. This includes a balance sheet and income statement.

Finished goods Menu items that have been completely prepared and are ready to serve to customers.

Firm price A price the purchaser and the vendor agree to that will not change until the material is delivered and the transaction is completed.

First in, first out (FIFO) Method of inventory valuation and management in which cost of goods sold is charged with the cost of raw materials, in-process goods and finished goods purchased first and in which inventory contains the most recently purchased materials.

Fiscal year Any continuous 12-month period used by a company as its accounting period.

Fixed costs (FC) Costs that remains constant regardless of sales volume, such as executive salaries.

Flexible budget A statement of projected revenue and expenditure based on various kinds of production.

Folio An itemized guest-lodging bill.

Food cost refers to the cost of food items and ingredients.

Forecasting Estimating future revenue and expense trends.

Full time equivalent (FTE) A way to measure worker productivity in a work schedule.

Full-cost accounting A tool to identify, quantify, and allocate the direct and indirect total cost of an operation.

G

General ledger The formal listing of accounts (ledger) containing all the financial statement accounts of a business. Every transaction flows through it.

Government deductions Mandatory deduction from employees' gross pay, including federal and state income taxes, FICA taxes, garnishments, disability insurance, and other taxes.

Gross The highest amount, often referring to sales or income.

Gross profit The difference between revenue and the cost of goods sold.

Guest check A printed form and system for ordering and recording food and beverage.

Guest check audit A system of controlling the difference between guest checks issued and those actually used.

H

Hedging is a contract on a future price, entered into to maintain a fixed price for a product or commodity you will need.

House bank The amount of money given to a cashier or server for the purpose of giving out change to customers.

I

Indirect competition comes from those restaurants that do not share the same cuisine but do share a customer base.

Indirect labor refers to labor hours and costs that are not directly related to producing the output. An example is cleaning crew hours and wages.

Internal controls An accounting method, procedure, or system designed to promote efficiency, ensure the implementation of company policies, safeguard assets, and discover and avoid fraud or errors.

Inventory control Accounting systems for maintaining inventories to prevent items from being out-of-stock, to reduce holding cost, and to permit theft detection.

Inventory issues Food and beverage products requisitioned and supplied to outlets to service the needs of the customers.

Inventory on hand The quantity and value of inventory currently present.

Inventory target Refers to the desired level of inventory.

Inventory turnover ratio A ratio of sales to inventory, which shows how many times the inventory of a company is sold and replaced during an accounting period.

J

Jigger A measuring device used to serve predetermined quantities of a beverage.

Job classification A method of categorizing jobs into ranks or classes for the purposes of work and wage comparison.

Job description A formal documentation of the tasks and duties of a given position.

K

Key performance indicators (KPI) Defined benchmarks by which to measure a company's progress.

L

Labor cost The dollar amount paid to employees.

Last in, first out (LIFO) An inventory costing method that assumes the most recent units purchased are the first units used. The result is that ending inventory consists of the oldest costs and the most recent costs are in the cost of sales.

Lead time The time between the receipt of a purchase order and the receipt of the goods from the vendor.

Least square analysis is an accounting and financial model for calculating and investigating the value of the unknown. The unknown could be revenue, costs, production, and other relevant data for decision making.

Loss leader A menu item that is priced low because it is not very profitable and not popular with customers.

M

Make or buy decision A decision regarding whether to buy prepared products to save labor cost, or to purchase less expensive raw products and prepare them on-site.

Marginal cost The amount of output, at any given volume, by which aggregate costs are changed if the volume of output is increased or decreased by one unit, subject to the condition that fixed cost does not change with the increase in volume.

Market basket analysis compares purchase prices over time and across vendors to build reveal patterns in price fluctuations.

Market reports Reports written by vendors to inform businesses of present and future product conditions, particularly with farm and seafood products.

Meat tag A system for controlling meat by tagging, used for identification and verification of actual use.

Memo invoice A list of all items received.

Menu analysis The evaluation of menu costs and sales data to identify customers' needs and perceptions and to improve menu performance.

Menu design Refers to menu layout, physical characteristics, and content.

Menu engineering Techniques used for analyzing menu profitability and popularity.

Menu mix A proportion of different menu items that make up a complete restaurant menu.

Menu pricing How much a customer is charged for an item.

N

Net income The excess of revenue earned over expenses for the accounting period.

Net revenue Sometimes referred to as net sales, this term represents revenue realized

Net profit Net revenue less all operating costs and expenses.

Non-revenue departments Support and service departments that generally do not generate revenue. Examples include Security, Facility, Personnel, Accounting, and Sales.

O

Open bar A bar used in a banquet function in which customers are not charged individually for the drinks

consumed during the function. The host pays for this consumption.

Operating budget Detailed revenue and expense plan for an accounting period.

P

Par level Set inventory amounts that maintain enough stock, but not more than is necessary for the business volume.

Par stock Stock levels established by management for individual inventory items in varying outlets.

Perceived value The customer's perception of value as it relates to his or her restaurant experience.

Perishable products Food and beverage products that need attention and appropriate handling to avoid spoilage. An example is seafood.

Perpetual inventory A system of accounting for inventory changes, in which beginning and ending inventories are noted along with any sales or purchases.

Physical inventory A count of actual inventory items, in order to note quantities and values.

Plow horse A menu engineering classification of items which are not very profitable but which are popular with customers.

Point-of-sale (POS) system A sales transaction register and processor.

Popularity The number of a specific item sold. To derive the percentage of a single item sold, take the number of the item sold and divide it by the total number of items sold.

Potential cost The expectation of what the cost should be, if you comply with all cost control procedures. It is the standard whereby you measure the cost efficiency of your operation.

Potential percentage Determined by dividing the cost by the selling price.

Preventive maintenance Measures taken to maintain efficient corking of operational equipment and facility without affecting the operation.

Price elasticity The change in the rate of sales due to change in the price.

Price index A set of numbers generated via market basket analysis to indicate changes in product prices.

Prime cost The labor, material, and overhead costs identified in product preparation.

Productivity A measure of effectiveness in utilizing labor and equipment; the relationship between input and output.

Profit A positive sum after expenses are deducted from revenue or income of a business as shown in an income statement. The opposite of a loss.

Profit and loss statement A written document of net revenue and expenses showing the financial gain (profit) or failure (loss) for a particular time period.

Profit margin is determined by subtracting your cost from your sales.

Proof is the measure of the alcoholic content of a spirit, each degree of proof being $\frac{1}{2}$ percent alcohol by volume; often written with the degree symbol, as 100°.

Purchase order (PO) An order which includes vendors' prices, products, and agreed arrangements for delivery and payment.

Purchase price Refers to the original price paid to receive the product

Purchase specifications Detailed, precise descriptions of items desired to be purchased and under what conditions.

Puzzle A menu engineering classification of items that are particularly profitable but not very popular with guests.

Q

Quality control Maintenance of quality standards; carrying out assigned responsibilities according to established standards.

R

Raw material Uncooked, as-purchased products

Requisition Request for food, beverage, supplies, or personnel.

Restaurant minimum standards Refers to service, food and beverage offerings, and the entire operation—for instance, cleanliness.

Return on investment (ROI) Net operating income divided by average operating assets. A measure of profitability of the business expressed in percentages.

Revenue is the same as income or sales.

Revenue center Revenue-producing outlet or department.

Receiving report A report or form that indicates value and quantity of items received from a vendor.

S

Safety stock Extra inventory kept on hand to ensure that you will have time to order more before running out.

Sales mix Number of sales of menu items; perhaps patternized. Also, the products and sales packages offered.

Sales The sum of more than one sale. It is often used interchangeably with income or revenue.

Seat turnover The number of times a seat is occupied during a meal period. This is calculated by dividing the number of guests served by the number of available seats.

Semivariable costs Costs which vary with, but not in direct proportion to, business volume.

Server banking A system wherein the server or bartender also carries out the responsibilities of a cashier.

Staffing guide A document establishing labor time standards for productivity evaluation of employees.

Standard issue A repeated restocking of banquet beverage products to par levels, just as in a regular outlet. Every item issued, minus the ending inventory, should be charged to the function.

Standing order An arrangement made with a vendor to deliver specific goods on a regularly scheduled basis.

Star A menu engineering classification of items that are both popular and profitable.

Stepped costs Costs that “step up” across specific increases in production volume.

Steward Sales. Sales of food or beverage products to employees at cost are called steward sales.

Storeroom issue Purchases sent to the storeroom to be stored and issued to the outlet when they are requisitioned.

Sunk cost A cost that has already been incurred and that cannot be changed by any decision made now or in the future.

T

Tare weight The weight of various empty containers used to determine the net weight of perishables in these containers.

Targeted ideal cost The ideal amount your company wants to spend; it is your goal, or what you have budgeted to spend.

Theoretical cost The calculated expectation of what the cost should be, assuming you comply with all cost control procedures.

Time and motion study A systematic observation, analysis, and measurement of the separate steps in the performance of a specific job. This study is done for the purpose of establishing a standard time for each performance, with the goal of improving procedures and increasing productivity

Inventory turnover How many times the average inventory balance has been used and replaced during the period under review.

U

Unit cost Cost per item.

Up-selling A sales technique whereby an attempt is made to have the customer purchase more expensive items, or upgrade and order, to increase revenue.

V

Variable costs (VC) Production cost which changes in direct proportion to sales volume.

Variance report A report comparing actual performance with budgeted performance.

Vendor minimum order quantity Required minimum amounts for orders from a vendor.

Vintage means the yield of wine or grapes from a vineyard or district during one season. Wine is usually identified as to year and vineyard or district of origin.

Volume pricing Lower prices when products are purchased in larger quantities.

Voluntary deductions Deductions from employees' gross pay that are authorized by the employee, such as insurance premiums, retirement plan contributions, or union dues.

W

Work in progress Partially cooked products that are still in the production process; products that have begun production as raw materials but have not yet been completed as a finished cooked meal.

Working capital Current assets less current liabilities. This measure serves as an indication of the amount of readily available funds that can be used in operation of the business. Also called *net current assets*.

Y

Yield The net weight or volume of a food item after it has been processed from raw materials and made ready to eat.

Yield percentage is the amount of usable product available from raw materials. To find this, divide the usable weight by the original weight.

Yield price Refers to the end-product cost of the product after yield testing or cleaning.

Yield tests determine the amount of usable product available after processing raw items.

Z

Zero-based budgeting A budget which starts at zero in preparation and in which the writer must justify every expense line.