

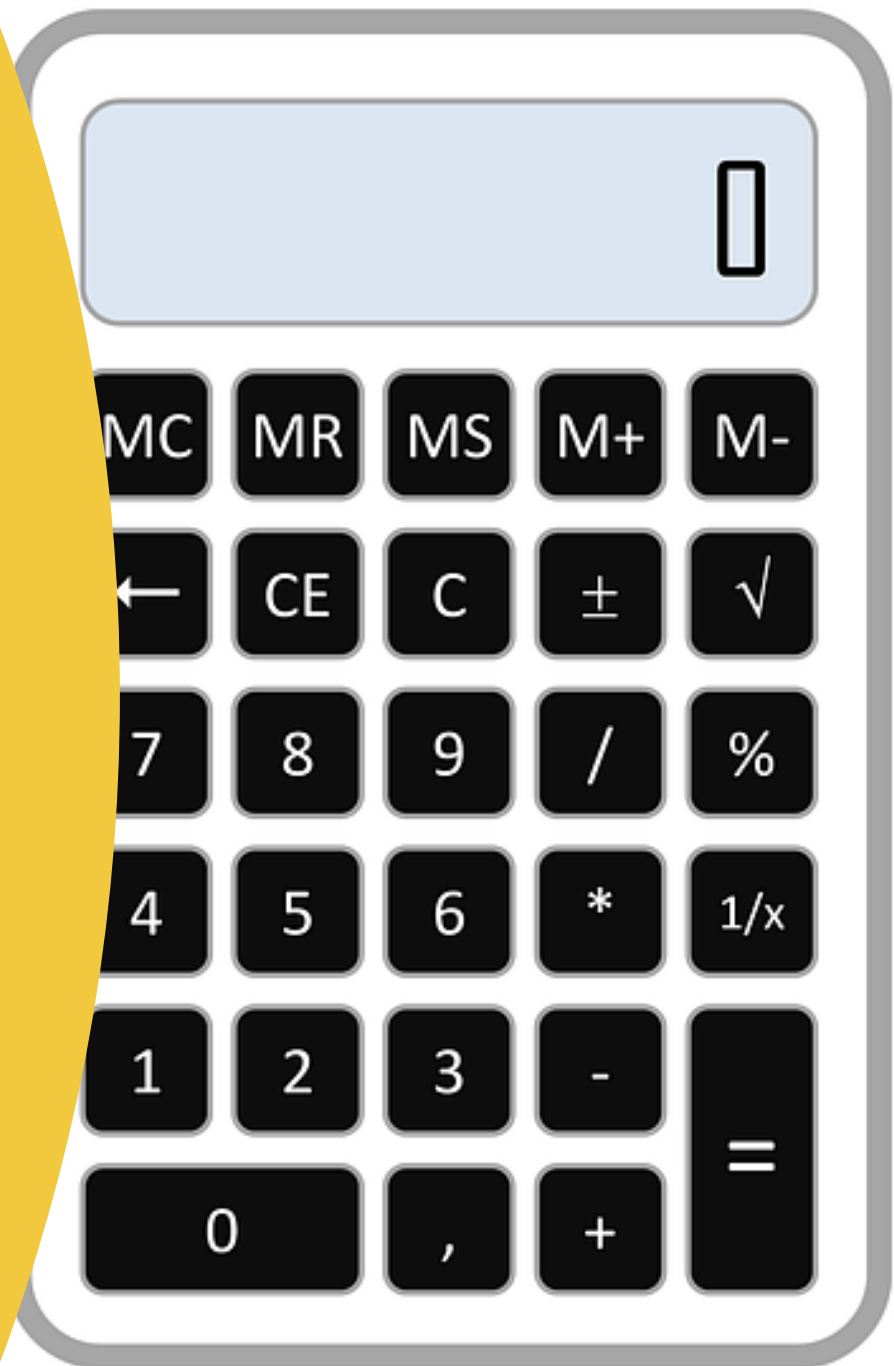


Hospitality and Catering

Costings

Lesson 2

Become an expert at costings helping to run a successful business.





Gross profit

Selling price - food cost = Gross profit

It is the basis of making money because you must sell items for more than you bought them.





Net profit

Selling price – total cost = Net profit

For a more accurate calculation you must remove the total costs from the selling price to find our true profit or net profit.





Selling price

The price a product is sold for.

You can calculate this price by looking at the food cost and then increasing it by 65-70% which is normal practice in catering.





Selling price

It helps to cover all the costs associated with making an individual item and to make profit.





Variable costs (food costs)

Food items used to make a product are called a 'variable' cost because the cost will vary from day to day depending on the amount of products being produced and the type of ingredients being used.





Labour (staff) costs

A direct labour cost is the cost of labour used to make the product.
This is usually an hourly rate.





Labour (staff) costs

An indirect labour cost is the cost of other staff (non production) in the business that will need to be paid for work they do e.g. managers and cleaners.





Cleaning material costs

To maintain the highest standards of food safety we need to keep areas clean. Cleaning materials add to the cost of production.





Overheads

These are costs that keep the whole business going. Each department will pay their share towards:

Utility bills

Advertising

Equipment





Revision Activity 2

What is an indirect labour cost?