

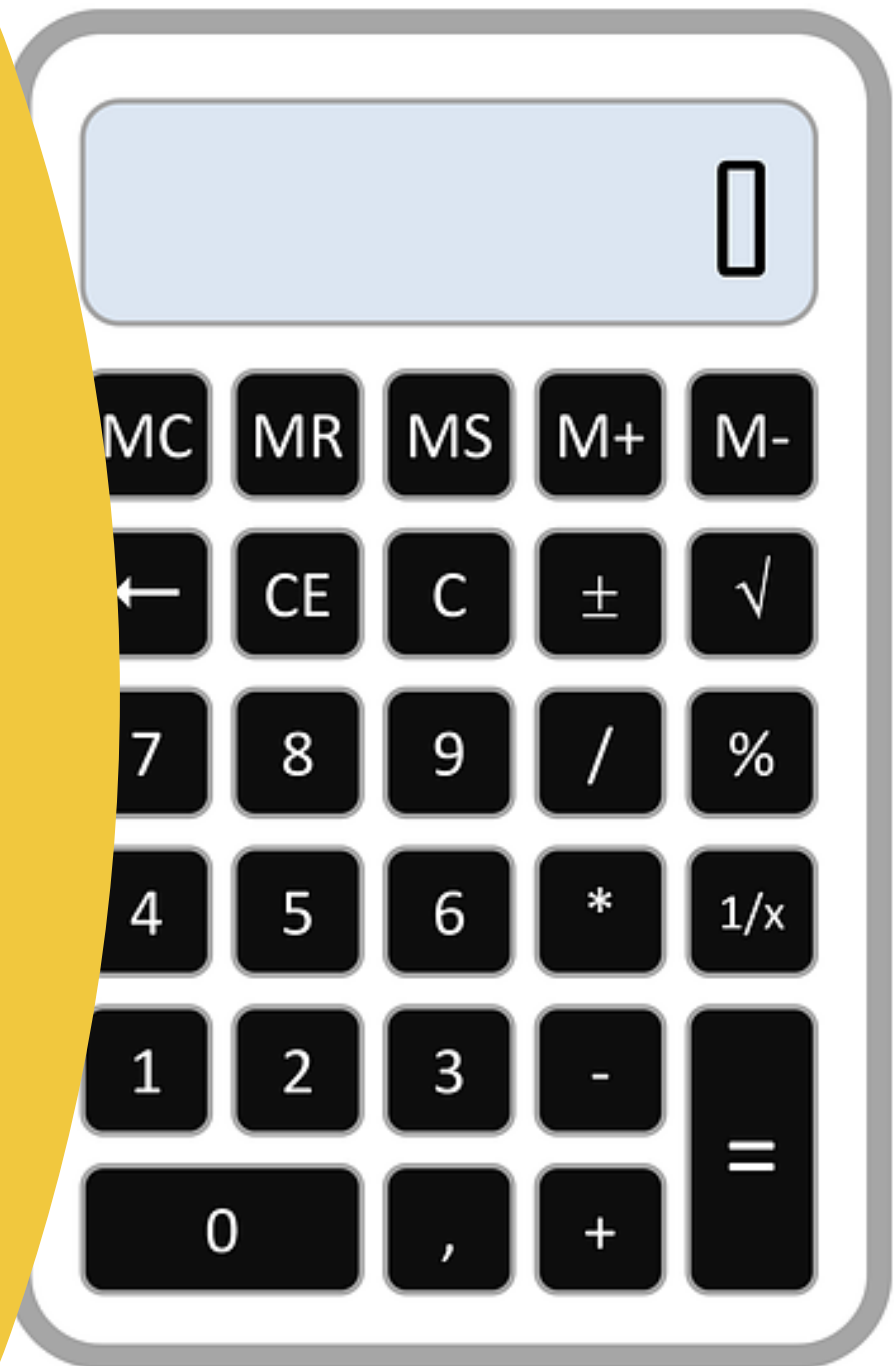


Hospitality and Catering

# Costings

## Lesson 3

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





# Gross Profit (GP)

The difference between the cost of the food product and the selling price of that product.





# Gross Profit (GP)

Example:

If a product costs 50p to make and  
the selling price is £1.45 then the  
Gross Profit (GP) is 95p.





# PROFIT

## Gross Profit %

Hospitality and catering work in percentages for Gross profit.

To be financially successful you need to make a GP between 65% and 70% on every item sold.





# Why work in %?

This allows you to set a realistic selling price. Which is 65 to 70% above the cost of ingredients.





# Why work in %?

The % is set this high to cover the other costs of production e.g. wages and bills.





# Why work in %?

If you have a selling price that is too low, you can still make a gross profit on the food but you don't make enough money to pay for everything else e.g. wages and bills.





# Gross Profit %

To calculate the GP% of a product  
divide the GP by the selling price  
and multiply by 100.







# Gross Profit %

Using the previous example:

e.g. if a product costs 50p to make  
and the selling price is £1.45 then  
the Gross Profit (GP) is 95p.





# Gross Profit %

Using the previous example:

So 0.95 (the GP) is divided by  
1.45 (the selling price) x 100 (to  
make it a percentage) = 66%





# Gross Profit %

Using the previous slide figure of 66% you can easily see that if the selling price was under £1.45 you would not be able to cover your costs.



COFFEE	325	V-60 BREWED COFFEE		
		8oz 325	12oz 350	16oz 375
MEX FOR TWO				
D BREW	625	ICED V-60		
4oz 1350		16oz 425		
SO	MACCHIATO	CAPPUCCINO		
	325	350		
ALTERNATE	ALTERNATE MACCHIATO	ALTERNATE CAPPUCCINO		
	350	375		
LATTE		CHAI		
8oz 400	16oz 450	8oz 325	12oz 375	16oz 425
TEA		COLD BREW TEA		
300		375		
SPECIALS				
Apple Cider				
8oz 300		12oz 350		
16oz 400				



# Gross Profit %

Using the previous slide figure of 66% you can easily see that anything above £1.45 will give you more profit, however you must be conscious of what the customers is prepared to pay.





# Gross Profit %

Being able to do this simple calculation removes the need to do lengthy calculations that take up your time.

Leave the complicated stuff to managers and accountants.





# Gross Profit %

It shows you how much to sell an item for while allowing for the payment of costs to be taken into account without detailed and complicated mathematics.





# Revision Activity 3

**What is the gross profit?**