

SECTION VII--FOOD SERVICE ACCOUNTING

STANDARD COSTS

To allocate the appropriate cost for each meal or program, standard meal costs must be used. The standard meal costs is the average expected cost of food sold, labor and other expense for a particular type of meal. The components of cost of food sold, labor and other expense must be computed separately. They may be allocated separately or combined as one meal cost. Illustration 3B may be used for allocation of one standard meal cost or allocation by each component of the meal cost.

Standard Costs:

Standard costs are used when there is difficulty involved in separating direct costs. A standard cost is reconciled to actual cost annually. Determinations of standard costs are also made annually.

Cost of Sales:

To determine standard food costs (costs of sales), an actual cost analysis must be done for a menu cycle (usually one month to six weeks). Production records from each kitchen will provide the quantities of food which must be priced to determine the cost of each menu. The cost of the menus are then averaged to arrive at standard cost of sales.

Labor:

A time study must be completed to determine standard labor costs for each type of meal served. Illustration 10 provides a summary worksheet for allocating labor hours and dollars to determine the cost of labor per meal served. Remember that allocated costs are required for some programs; i.e., Severe Need Breakfast, and not for others. Separate meals costs and revenues are not required for an A la Carte Program, but are almost a must as a management tool to assure appropriate pricing.

Other:

Other costs, which cannot be applied directly to arrive at a standard meal cost, may be determined by using the percent of total food cost arrived at in determining cost of sales allocations. See Illustration 3B, item 3.