

Chapter 3: Cost Control in Purchasing, Receiving, Storage, and Inventory Management

Buyer's Cost from Vendor's Cost and Markup %

$$\text{Buyer's Cost} = \text{Vendor's Cost} + (\text{Markup \%} \times \text{Vendor's Cost})$$

Product Yield Percentage

$$\text{Product Yield \%} = \frac{\text{Edible Portion (EP) Weight}}{\text{As Purchased (AP) Weight}} \times 100$$

EP Cost

$$\text{EP Cost} = \frac{\text{AP Cost}}{\text{Product Yield \%}}$$

Estimating Storage Needs

Dry goods

$$\text{Estimated Storage Space Needed} = \text{Number of Meals Served} \times 0.75 \text{ Sq. Ft.}$$

Refrigerated or frozen goods

$$\text{Estimated Storage Space Needed} = \text{Number of Meals Served} \times 1 \text{ (or 2) Cu. Ft.}$$

Cost of Food Sold

$$\text{Cost of Food Sold} = (\text{Beginning Inventory} + \text{Purchases}) - \text{Ending Inventory}$$

Food Cost Percentage

$$\text{Food Cost \%} = \frac{\text{Cost of Food Sold}}{\text{Sales}} \times 100$$

Average Inventory Value

$$\text{Average Inventory Value} = \frac{(\text{Beginning Inventory Value} + \text{Ending Inventory Value})}{2}$$

Inventory Turns

$$\text{Inventory Turns} = \frac{\text{Cost of Food Sold}}{\text{Average Inventory Value}}$$