

## Chapter 6: Beverage Cost Control

### *Cost of Beverages Sold*

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

### *Beverage Cost Percentage*

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

### *Pricing Methods*

#### *Beverage cost percentage method*

$$\text{Selling Price} = \frac{\text{Beverage Cost}}{\text{Desired Beverage Cost \%}}$$

#### *Factor system*

$$\text{Pricing Factor} = \frac{100\%}{\text{Desired Beverage Cost \%}}$$

$$\text{Selling Price} = \text{Beverage Cost} \times \text{Pricing Factor}$$

#### *Contribution margin method*

$$\text{Contribution Margin} = \text{Selling Price} - \text{Variable Costs}$$

$$\text{Selling Price} = \text{Beverage Cost} + \text{Desired Contribution Margin}$$

#### *Prime cost method*

$$\text{Prime Cost} = \text{Beverage Cost} + \text{Wages} + \text{Employee Benefits and Payroll Taxes}$$

$$\text{Selling Price} = \frac{\text{Prime Cost}}{\text{Prime Cost \%}}$$