

your cash register) or abstracts (general hand counts of items sold over specified times).

6. Multiply the number of items sold times the net sales price. This is the annual revenue for this item.
7. Multiply items sold times the cost of the item. This is the total of the annual cost of this item.
8. After completing the above for all items sold, add down the annual revenue and annual cost columns. Divide the revenue total by the total costs and, voila!, a theoretical cost. The menu sales mix is now factored in.

Once your theoretical cost is established you can now manage your cost. If your actual cost varies by more than two per cent from your theoretical cost, then you likely have a problem somewhere down the line.

Solving the problem should be a bit easier, however, now that you know what your cost should be!

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