# THE MAIN DISH

## ABOUT US

*Celebrating 50 Years Of Service*

**HENRY & HORNE, LLP**
Certified Public Accountants

## Food Costing and Menu Re-engineering
### By Brian Campbell, CPA

Food costing and menu re-engineering are two vital processes that all restaurants must perform if they want to maintain and increase profitability.

What restaurants pay for items affects current food cost percentages and these food cost percentages have a direct correlation on how a restaurant should cost out their menu items. Food costs can vary based on who does the purchasing, relationships with suppliers, quality of food being purchased and the quantities being purchased. All of these factors affect profitability and increase the importance of monitoring your food costing and menu re-engineering.

When calculating food cost for individual menu items, you should first start with those items you sell the most. You will eventually cost out all of your menu but starting with those entrees you sell the most will show you the importance and the impact that food costing has on profitability. Establish a recipe file for each entree and list all the ingredients included. Be sure to establish portion sizes for each menu item as well. Next, convert the way you purchase an item (i.e. pounds) to the way you serve the item (i.e. ounces). Determine the usable amount of what you purchase and add a factor for waste. When all the ingredients are add together, the resulting number should be the cost per serving for this entree. Once you have determined the cost per serving for all your menu items you can than determine which entrees are the most profitable and adjust your menu accordingly.

Menu re-engineering is the process of grouping your menu items into four different categories and determining what to do with items that fall into each of these categories. The four categories that you can use are as follows:

1. Menu item is both popular and profitable.
2. Menu item is popular but not always profitable.
3. Menu item is unpopular but profitable when sold.
4. Menu item is unpopular and unprofitable.

Next, you can assign a letter grade to the popularity and profitability of each menu item as such:

• Upper 25% of menu items sold and upper 25% of profitability = A
• Next 25% of menu items sold and next 25% of profitability = B
• Next 25% of menu items sold and next 25% of profitability = C
• Lower 25% of menu items sold and next 25% of profitability = D

Based on the above analysis, you should now be able to determine which menu items you might need to eliminate, change the price, refocus the placement, change the way the items are prepared or whether new items need to be created to help revitalize the menu.

If you have not addressed food costing or menu re-engineering within your restaurant or you have questions on how to institute any of the above processes, do not hesitate to contact your restaurant professionals at Henry & Horne, LLP.

**If you have any questions Brian can be reached at (480) 839-4900 or BrianC@hhcpa.com.**

# Tappas

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## Tracking Your Success with Accounting Software
### By Dan Mace, CPA

As the owner of a restaurant, you have to make the big decisions on a daily basis. Some decisions are easier than others. Should we continue to offer "early bird" discounts? What about "happy hour" pricing? What do these decisions have to do with accounting?

Well, by understanding the last question, making the other decisions can be easier. In order to make the accounting functions of your small business useful, you first have to decide what you want from the information. This could be as simple as creating separate discount accounts to keep track of the specials you are running in order to see how successful they are, to as complicated as doing food cost analysis to determine if your menu is priced correctly.

Accounting software is available to help make tracking the success of your restaurant easier. The software, however, is subject to the age old computer information phrase "GIGO". That's Garbage In, Garbage Out for the non- techies out there. This simply means that if you do not keep the appropriate data, you will not have the information to make an informed decision later. You can have the most expensive accounting software available, but if you do not input useful data, you will not be able to use the system to make profitable decisions.

For smaller restaurants, you may just feel that you need to track your overall food and beverage costs. For most restaurants, this is usually not enough information to make informed decisions. By breaking expense invoices down into more detailed categories, you can do a better job of using the information in your accounting software. The more information you input into your software, the more detailed reporting you can get.

As is the case in almost all decisions a small business owner makes, you have to determine the cost/benefit of the accounting software your restaurant uses. You can get basic accounting software, such as QuickBooks, for a few hundred dollars to custom restaurant software for several thousand dollars. No matter what accounting software you choose, it is important to remember that the reporting you get out of the software is only as good as the information you input.

With a little up front planning, you can keep track of all of the important information you need to make profitable decisions. We would be glad to discuss your specific situation and provide advice on the types of reports and information you can use to make your restaurant a great success!

**If you have any questions Dan can be reached at (520) 836-8201 or DanM@hhcpa.com.**