

# FOOD AND BEVERAGE CONTROL

## Level-II

Based on November 2022, Curriculum Version 1



Module Title: Establishing stock purchasing  
and control systems

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Acronym

LAP

EDI

ISO

POS

## Introduction to the module

This module is designed to meet the industry requirement under the food and beverage control occupational standard, particularly for the unit of competency. Determining stock requirements, establishing optimum methods of supply arrangements, Developing and implementing stock control systems, Developing, maintaining and receiving inventory systems.

### Module unit

- Determine stock requirements
- Establish optimum methods of supply arrangements
- Develop and implement stock control systems
- Develop, maintain and receiving inventory system

## Learning objectives of the Module

At the end of this session, the students will able to:

- Determining stock requirements
- Establishing optimum methods of supply arrangements
- Developing and implementing stock control systems
- Developing, maintaining and receiving inventory systems

## Module Instruction

For effective use these modules trainees are expected to follow the following module instruction:

Read the information written in each unit

Accomplish the Self-checks at the end of each unit

Perform Operation Sheets which were provided at the end of units

Do the “LAP test” giver at the end of each unit and

Read the identified reference book for Examples and exercise

## Unit one: Determine stock requirements

This learning unit is developed to provide the trainees the necessary information regarding the following content coverage and topics:

- Forecasting methods of required stock levels.
- calculating and measuring standard required stock levels.
- Using business data to determine stock requirement.
- Determining stock requirements for peak seasons.
- Standardizing business for special event periods.
- Establishing cost-effective purchase quantities.

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Estimate required stock levels for specific industry sector
- Determine Stock requirements for standard business event.
- Establish Cost-effective based on business information to purchase quantities and supplier advice

### 1.1. Forecasting methods of required stock levels

Stock level- means the level of stock required for an efficient and effective control of goods, to avoid over-and under-stocking of goods. The need of inventory control is to maintain the stock of goods as low as possible but at the same time make them available as and when required. In order to have a smooth inventory management in an organization and run a retail unit successfully a retailer has to determine various stock levels providing over- and under-stocking. These levels help the organization to meet the customers' demand and to satisfy their needs

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order to have a smooth inventory management in an organization and run a retail unit successfully a retailer has to determine various stock levels providing over- and under-stocking. These levels help the organization to meet the customers' demand and to satisfy their needs. It also enables to avoid unnecessary investment in the inventor

### **1.1.1. Methods of Stock Control level (management tools)**

Minimum stock levels: simplest method, used in most bars, relies on the bar owner or manager visually checking stock levels. Once a stock item reaches a predetermined minimum stock level you re-order. popularised in Japan, to reduce money tied up in stock, relies on a close and trusting relationship with your suppliers. The advantages are that it transfers stock holding costs back to your food and beverage suppliers who act as your warehouse Stock forecasts: functions like cash flow forecasts showing an opening stock balance, expected sales for the month and a closing stock balance. The expected sales can be based on historical sales; figures can be adjusted for growth and seasonality.

Good supplier relationships- are important in gaining their trust, getting reliable supplies of quality stock and negotiating better payment terms for your bar. Five main stages of the stock control cycle. These are:

- Purchasing:
- Receiving,
- Checking,
- Storing and
- Issuing Controls

Purchasing- can be defined as ‘a function concerned with the search, selection, purchase, receipt, storage and final use of a commodity in accordance with the catering policy of the establishment ‘this suggests that the person employed to purchase foods and beverages for an establishment will be responsible for not only purchasing, but also for the receiving, storage and issuing of all commodities as well as being involved with the purpose for which items are purchased and the final use of them. In many organizations this job role may come under the heading of procurement and be a function of the finance department.



## **Receiving food and beverages:**

The stock and equipment of the bar is expensive, mistakes reduce profits. Poor stock receiving systems encourage dishonesty. A comprehensive system for receiving stock and beverages can counteract these threats, should be adopted and actively operated at the point of delivery for the bar. This area should not be staffed by people with little or no specialized knowledge. All goods received have a monetary value and that it is essential to ensure that exactly this value in goods is properly accounted for and received.

## **Checking the food and beverages and signing for deliveries**

Inspect the delivery dockets carefully check the items listed on the delivery docket correspond with the items listed in the order book inaccuracies must be communicated to the manager, owner examine the stock for best before dates, breakages or missing seals never sign any delivery dockets until you are fully sure that the order for delivery is intact and correct.

## **Storing of food and beverages**

Storing involves keeping your food and beverage supplies until needed in a place that is secure against theft and deterioration. Storage of beverages is ideally separated into five areas as follows; Main storage area for spirits and red wine (13-16 degrees Celsius) A refrigerated area of (10 degree Celsius) for storage of white and sparkling wines A cold room necessary for kegs (3-16 degree Celsius (7) depends on beers stored A totally separate area for empties

an area held at a temperature of 13 degrees Celsius for storage of bottle beers and soft drinks.

## **Issuing of Food Stocks and Beverages**

A requisition form from an authorized member of staff, for example, head chef, restaurant manager or from the storekeeper, informing the purchasing manager of low levels of items.

## **Systems and techniques for stock control**

### **Bin cards / product labelling:**

contains information about size, special storage information, brand name and movements of stock normally fixed to the shelves similar to shelf labels. Some bars will also stamp their

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expensive wines and spirits with their own company stamp for security reasons makes it impossible for staff members to claim that a product was their personal property.

**Cellar control book:** This provides a record of all daily deliveries to the cellar and the daily issues of each beverage from the cellar to the various bars and should cross-check with the entries on the bin cards and the perpetual inventory ledger held in the food control or the accounts office.:

The senior staff is control safety and health of cellar to ensure: Gases, machinery, chemicals & cellar area by using cellar control books.

**Point-of-sale Systems:** for stock and Beverage Control.

Computerized systems: for example, Micros, Geller MP with integrated microcomputer links is quite common in the bar industry.



Figure 1.1.2

## 1.2. calculating and measuring standard required stock levels

To calculate the sales figures for the bar, we also count the stock and beverages to calculate the cost of these sales and to determine the gross margins achieved on these sales. When we should count the stock preferably at the start or the end of the day's trading, ideally when the bar is closed. The frequency of these counts really depends on the size of your bar. regular stock control can provide information which is vital to highlighting poor control.

**There are four types of stock level to calculate the standards of required stock level.**

- Minimum
- Maximum Stock Levels.
- Average
- Danger Stock Levels.



Figure. 1.2. calculating stock level.

#### **Minimum level stock.**

minimum level of stock refers to the minimum quantity of inventory that should be always maintained within the business premises. It is also termed as safety level or precautionary level of inventory as this quantity is must to be maintained always to keep the organization functioning. If the stock level falls below this point, then the organization will stop working due to a shortage of materials.

It can be calculated using the formula: -

**Minimum Level of inventory = Re-order level – (Average usage × Average lead time)**

**OR**

**Minimum Level of inventory = Re-order level – (Average usage × Average lead time)**

#### **Maximum Stock Levels.**

The maximum level of stock refers to the maximum quantity of inventory a firm can hold and cannot exceed this level. Any quantity of stock beyond this level will be termed as overstocking which will have adverse effects on firm and results in high material cost. The maximum level is decided considering various factors like availability of capital and storage facilities, rate of consumption of materials, availability of materials, fluctuations in material price, the possibility of fashion change, etc.

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**It can be calculated using the formula: -**

**The maximum level of inventory = Reordering Level + Reordering Quantity – (Minimum Consumption x Minimum Reordering period)**

### **Average stock level.**

The average stock level refers to the average quantity of stock held by companies for a given period of time. It offers a balanced solution and therefore is calculated and maintained by many firms. The average stock level is a level that is above the minimum level and below the maximum level. It can be calculated using the formula: -

Average Stock Level = Minimum stock Level + 1/2 of Reorder Quantity.

### **Danger level.**

Danger stock level is one where the issue of material is temporarily stopped. It is an alarming situation for the organization and should always be avoided. If a stock level approaches danger level which is below a minimum level, management should take immediate action to acquire the required materials in less time.

It can be calculated using the formula: -

**Danger Level of inventory = Average Consumption x Maximum reorder period for emergency purchases.**

### **Re-ordering level.**

The re-ordering level is a point at which the company should start a new manufacturing run or place a new order with the supplier to procure materials. In simple words it is a level at which purchase order is place. It is a level that is fixed in between the minimum and maximum levels of inventory. Identifying the right reorder level is a must to avoid any understocking or overstocking.

A purchase order is put before the stock reaches the minimum stock level.

- Area that to be consider stock controller: -
- stock reviews
- Fixed-time/fixed-level reordering.
- Just in time (JIT).
- Economic Order Quantity (EOQ)
- Bin card system
- Integrated point-of-sale system Ledger system
- First in, first out.
- Batch control.
- Vendor-managed inventory (VMI).
- Define processes and stock.

### 1.3. Using business data to determine stock requirement.

Sales instability is typical of most catering establishments. There is often a change in the volume of business from day to day, and in many establishments from hour to hour. This causes basic problems with regard to the quantities of commodities to be purchased and prepared as well as to the staffing required. Managers face a variety of challenges in securing and maintaining the products needed to serve food and drinks. They must consider which food and beverage products to buy. They must also consider the amount of food and beverage products needed to meet customer demand. After placing orders, managers must ensure that food and beverage products are properly received. The receiving process entails matching the products ordered with those delivered. It also means ensuring that the products have arrived in good condition. After the product is delivered, managers must safely store products, issuing them from storage as needed. The entire process of managing food and beverage products in storage involves several separate tasks:

**A. The financial policy** will determine the level of profitability, subsidy or cost limits to be expected from the business whole and the contribution to the total profit, subsidy or cost limit that is to be expected from each unit, and then from the departments within them. This involves the setting of targets for the business as a whole as well as each unit and the departments within them. Thus, the financial policy for a large hotel will set profit targets for the hotel, and

departmental profit targets for the accommodation and catering as well as other departments. The financial policy for the catering department will set the overall target for the department itself, which will be further divided into targets for the various restaurants, bars and function facilities. The financial policy for an industrial contract catering operation will set the overall target for the operation, the level of subsidy and the level of management fee, as well as the cost limits per unit (meal or employee).

**B. The marketing policy** will identify the broad market the operation is intended to serve and the particular segment(s) of the market upon which it intends to concentrate. It should also identify the immediate and future consumer requirements on a continuous basis in order to maintain and improve its business performance. It is obvious from the above that the broad market intended to be served by a large city hotel could be broken down into the specific segments of the various types of users of, for example, the coffee shop, the carvery, the cocktail bar, the banqueting rooms, etc. each having specific and different consumer requirements. The interpretation of the marketing policy for a national commercial catering organization into a marketing plan for the next year may include some or all of the following objectives:

**C. National identity** – to achieve a better national identity for all units by corporate design, and by meeting consumer expectations of what a ‘popular restaurant’ concept should be:

Customer – the customer profile being the business person, shopper, tourist of either sex, aged twenty-five years or more, commonly using the high street of any major town, requiring food and beverage of good general standard, waitress served, for a typical price of £ n per meal.

Market share – to achieve, maintain or increase the percentage of ‘our’ market.

Turnover – sales volume to be increased by x % on previous year.

Profitability – profit to be increased by each unit by y % on previous year.

Product – the product to be maintained at a consistently high standard.

Customer satisfaction – the net result must be the satisfaction of every customer.

D. **The catering policy**, which is normally evolved from the financial and marketing policies, will define the main objectives of operating the food and beverage facilities and describe the methods by which such objectives are to be achieved. It will usually include the following:

- The type of customer- for example high spending business executive, low spending female shopper, short-stay hospital patient, etc.
- The type of menu: -for example table d'hôte, à la carte etc.
- The beverage provision necessary: -for the operation.
- The food quality standards: - for example fresh, frozen, canned, etc. and the grade of produce to be used.
- The method of buying: - for example by contract, quotation, cash and carry, etc.
- Type and quality of service: - for example cafeteria, counter, waiter, etc.
- Degree of comfort and décor: - for example square footage per customer, type and style of décor, of chairs, tables, etc.
- Hours of operation: - for example twenty-four hours, seven days a week; 1200–1500 and 1800–2200 hours, Monday– Saturday, etc.

#### 1.4. Determining stock requirements for peak seasons.

**Seasonal inventory** refers to products that sell at a higher velocity during particular times of year. Most merchants experience an influx in seasonal demand during the holiday season, and many may stock holiday-specific that they don't sell year-round.

**Peak season:** is the part of the year where businesses make the majority of their revenue and sales due to specific events in a particular market. Holiday season is the most common example of a peak season, and affects almost all businesses in the retail industry. Many retailers experience an increase in demand because of shopping holidays like Cyber Monday, Black Friday, and Christmas. However, there are industries that experience peak season during other parts of the year as well. As aforementioned, peak season brings in the majority of a business's yearly revenue.

#### Seven Key performance indicators peak season (KPI)

**Inventory accuracy:** inventory accuracy is the measure of how accurate the inventory listed in your database is to the actual physical inventory you have in your warehouse or distribution center.

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While this may be the most understandable system of measurement you should be tracking, it is often the most neglected a high rate of inaccuracy in inventory can lead to unexpected issues like:

- Backorders
- Customer dissatisfaction
- Higher inventory cost
- Inaccurate product listings.

$$\text{Database Inventory Count} / \text{Physical inventory Count} = \text{Inventory Accuracy}$$

**2. Back-order rate:** is a warehouse's a good it closely related to the inventory accuracy

Key performance indicator (KPI) and percentage of out of stocks. During peak season, a sudden spike in demand will understandably lead to a temporarily high back-order rate for any given item, but this can be mitigated with proper planning and precautionary steps, like safety stock.

Key performance indicator (KPI) for indicating the success of a business's forecasting purchases and inventory supplies. A high back-order rate means your customers are forced to wait while you attempt to fill their order, which will adversely affect customer satisfaction and retention in the long term.

$$\text{Orders Unfilled at Time of Purchase} / \text{Total Orders Placed} = \text{Back Order Rate}$$

**3. Order picking accuracy-**is important Key performance indicator (KPI) metric for peak season. Inaccurate orders can result in inventory being returned, increased shipping time, increased shipping cost, and other issues that result in decreased sales and profits. Order picking is the most expensive and difficult warehouse process and should be taken seriously. By automating processes and avoiding unnecessary workflows, businesses can expect to eliminate waste and streamline orders with utmost efficiency. Accuracy and speed are the two most important measures for order picking. The more accurate order picking is the more overall pick times improves which increases order fulfillments.

$$\text{Total Number of Orders} / \text{Perfect Order Rate} = \text{Order Picking Accuracy}$$



**4. Rate of return-** is one of the most important KPIs during peak season. High rates of return are a clear sign that there is an issue with your supply chain. This metric should be aggressively tracked, and when done well, will identify causes for returns, damages, late deliveries, and many other underlying warehouse issues.

$$\text{Number of Units Returned} / \text{Number of Units Sold} = \text{Rate of Return}$$

**5. Inventory turn-over-** Inventory turnover measures how many times per year your warehouse is able to go through its entire inventory. It is looking at inventory rates also helps will gain a better idea of how much inventory you will need on hand for the upcoming year.

$$\text{Cost of Goods Sold} / \text{Average Inventory} = \text{Inventory Turnover}$$

**6. Units per transaction-** it is transaction method may be another key performance indicator (KPI) metric to track this peak season. This number may or may not change over time based on what it is that you sell. This metric is designed to point out any correlations between products that you may have overlooked.

$$\text{Number of Units Sold} / \text{Number of Transactions} = \text{Units per Transaction}$$

**7. Perfect order rate-** key performance indicator (KPI) is the metric used to track how many orders your warehouse successfully delivered without incident. That means how often the correct item is shipped on time and received in good condition by the customer who placed the order.

$$\text{Orders Completed Without Incident} / \text{Total Orders Placed} = \text{Perfect Order Rate}$$

## 1.5. Standardizing business for special event periods.

An event is often composed of several different yet related functions. a unique moment in time, celebrated with ceremony and ritual to satisfy specific needs notes that events are spatial - temporal phenomena and that each is unique because of interactions among the setting, people, and management systems, including design elements and the program. He highlights the fact that the biggest appeal of events is that they are never the same, and that the guest has to be there in order to enjoy the experience fully. He suggests two definitions, from the perspective of the event organizers, as well as the guests:

**Special event:** is a one-time or infrequently occurring event outside normal programmers or activities of the sponsoring or organizing body. a special event is an opportunity for leisure, social or cultural experience outside the normal range of choices or beyond everyday experience. that the term event<sup>ll</sup> has been used to describe specific rituals, presentations, performances or celebrations that are consciously planned and created to mark special occasions and/or to achieve particular social, cultural or corporate goals and objectives. six features of special events. According to them, special events should: Attract tourists or tourism development, be of limited duration, be one-off or infrequent occurrence, Raise the awareness, image, or profile of a region, offer a social experience, be out of the ordinary Summarizing the definition of a special event, they note it as: A one-time or infrequently occurring event of limited duration that provides the consumer with a leisure and social opportunity beyond everyday experience. Such events, which attract or have the potential to attract tourists, are often held to raise the profile.

### 1.6. Establishing cost-effective purchase quantities.

The purchasing department's role is to make sure that supplies, equipment and services are available to the operation in quantities appropriate to predetermined standards, at the right price and at a minimum cost to meet desired standards. Generally, those responsible for purchasing have the authority to commit the establishment's funds to buying required goods or services. By following established purchasing procedures, an operation can avoid many purchasing downsides such as fear buying, over or short purchasing, buying by price rather than by a combination of quality and price, pressure buying or what is probably quite common, satisfied buying. the beverage products that managers should purchase depend on the type of operation and the characteristics of an operation's target customers. Managers need to consider who the guests are and what needs they have. They must also consider products that complement the facility's décor and theme.

#### The criteria must be considered to purchase beverage item

- Regulations that govern the types of beverages an operation may sell.
- Profit goals for the operation.
- Alcoholic beverages should be offered like Distilled spirits, Beer, Wine.,
- The desired quality of well liquors.

- Proof liquors should be sold.
- Bottled and canned brands should be carried and wines are sold.
- The extent of the selection and quality.

### **Establish cost effective for food item.**

business can be characterized as one that involves raw materials purchased, received, stored and issued for the purpose of manufacturing products for sale. In these aspects many similarities exist between the hospitality industry to achieve the goal of profitable operation. This will entail a discussion of how costs and sales are controlled in food and beverage operations. The means employed by foodservice managers to directly, regulate and restrain the actions of people, both directly and indirectly, in order to keep costs within acceptable bounds, to account for revenues properly, and make profits.

### **four major food service expense categories that you must learn to control.**

1. Food costs.
  2. Beverage costs
  3. Labor costs.
  4. Other expenses Food Cost.
1. **The costs** associated with actually producing the menu items a guest selects. They include the expense of meats, dairy, fruits, vegetables, and other categories of food items produced by the food service operation. When computing food costs, many operators include the cost of minor paper and plastic items, such as the paper packages used to wrap sandwiches. In most cases, food costs will make up the largest or second largest expense category you must learn to manage.
  2. **Beverage Costs:** Beverage costs are those related to the sale of alcoholic beverages. It is interesting to note that it is common practice in the hospitality industry to consider beverage costs of a nonalcoholic nature as an expense in the food cost category. Thus, milk, tea, coffee, carbonated beverages, and other nonalcoholic beverage items are not generally considered a beverage cost. Alcoholic beverages accounted for in the beverage cost category include beer, wine, and liquor. This category may also include the costs of ingredients necessary to produce these drinks, such as cherries, lemons, olives, limes, mixers like carbonated beverages and juices, and other items commonly used in the production and service of alcoholic beverages.

3. **Labor Costs:** Labor costs include the cost of all employees necessary to run the business. This expense category would also include the amount of any taxes you are required to pay when you have employees on your payroll. Some operators find it helpful to include the cost of management in this category. Others prefer to place the cost of managers in the other expense category. In most operations, however, labor costs are second only to food costs in total dollars spent. If management is included as a labor cost rather than another expense, then this category can well be even larger than the food cost category.
  
4. **Other Expenses:** Other expenses include all expenses that are neither food, nor beverage, nor labor. Examples include franchise fees, utilities, rent, linen, and such items as, glassware, kitchen knives, and pots and pans. While this expense category is sometimes incorrectly referred to as “minor expenses,” your ability to successfully control this expense area is critical to the overall profitability of your foodservice unit. The primary purpose of establishing control over purchasing is to ensure a continuing supply of sufficient quantities of the necessary foods, each of the quality appropriate to its intended use, purchased at the most favorable price. Therefore, we will discuss purchasing from this point of view, first by establishing the essential standards and standard procedures for effective purchasing. Standards must be developed for the following:

### **Quality of food purchased**

Before any intelligent purchasing can be done, someone in management must determine which foods, both perishables and nonperishables, will be required for day-to-day operations. The basis for creating a list of these foods is the menu. However, this is not as easy as it may at first appear. For example, most restaurants use tomatoes and tomato products for a variety of purposes as salad ingredients, as sauce ingredients, and so on. At the same time, tomatoes and tomato products are available for purchase fresh and processed, and in various grades. Before purchasing, important decisions must be made about brands, sizes, packaging, grades, and degree of freshness, among other things.

## **Quantity of food and beverage purchased**

Although purchase specifications can be established at one particular time and merely reviewed and updated on occasion, quantity standards for purchasing are subject to continual review and revision, often on a daily basis. All foods and beverage decline in time, some more quickly than others, and it is the job of the food controller to establish a system to ensure that quantities purchased will be needed immediately or in the relatively near future. In cooperation with the steward, the food controller does this by instituting procedures for determining the appropriate quantity for each item to be purchased. These procedures are based principally on the useful life of the commodity. For purchasing purposes, foods are divided into the two categories previously discussed: perishables and nonperishables. The procedures for determining their purchase quantities differ from one another and are discussed separately

## **Prices at which food and beverage is purchased**

Having established purchase specifications so that purchasing personnel know the appropriate quality to buy, and inventory procedures so that they can determine the quantity to buy, one can turn to the question of price. Because it is desirable to buy products of the appropriate quality in adequate quantities at the lowest possible price, it is important to ensure that food and beverage purchases are made on the basis of competitive prices obtained from several possible suppliers. The availability of sources of supply varies considerably from one location to another. Major metropolitan areas, for example, tend to offer the greatest number of possibilities, both in terms of different categories of suppliers and number of suppliers in each category. In contrast, remote rural areas tend to offer few possibilities; sometimes establishments in remote areas must be content with what they can get. In general, depending on ownership policy, availability of suppliers, and general market conditions, foodservice operators depend on suppliers who can be grouped in the following general categories.

## Self-check.

### **Part I. True false**

1. The food and beverage personnel have responsible to control front office activities.
2. Food and beverage are one of the incomes generate outlet of the hotel.

### **Part II. Choose**

1. Which one of the following criteria is the consideration of must decide during purchase of beverage  
A. Over head cost    B. the liquors should be sold C. portion D. none of the above
2. Which one statements is refer key performance indicators (KPI).  
A. Backorder    B. Back-order rate    C. food cost    D. customers dissatisfactions.

### **Part. III Narrate the following statement.**

1. What mean that about stock in food and beverage control?

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2. Explain how can we control inventory stock in food and beverage.

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## Unit two. Establish optimum methods of supply arrangements

This learning unit is developed to provide the trainees the necessary information regarding the following content coverage and topics:

- Evaluating quality of supply based on feedback.
- Reviewing sources of potential suppliers.
- Developing appropriate and accurate purchase specifications.
- Assessing suppliers against specifications.
- Assessing and negotiating terms of purchase with suppliers.
- Adjusting and making accurate record for supplies agreement

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Quality of supply is evaluated based on feedback from colleagues and customers
- Source of potential suppliers are reviewed
- Appropriate and accurate purchase specifications are developed.
- Suppliers are assessed against specifications, considering all relevant factors
- Terms of purchase is assessed, and negotiated with suppliers to achieve optimum supply arrangements
- Sources of supplies are adjusted and make accurate records of agreements

## 2.1. Evaluating quality of supply based on feedback

For costs, quality, delivery capabilities, and other supply essentials. Current suppliers' capabilities will then be evaluated against prospective suppliers' capabilities to determine how well they fit with particular companies' needs. For existing suppliers, sourcing professionals have a wealth of information about historical performance that can be used in the evaluation process. This information is helpful, but good performances on contracts in the past do not guarantee good performances on future contracts and different products or services. Many supply managers use a classification scheme to segment suppliers by their geographic capabilities. This designation helps when searching databases for potential suppliers. In fact, internal supply groups can benefit from this classification in their examination of potential suppliers, whether they are involved with global supply management or not. This approach helps strategy development teams understand the location of suppliers and supplier capabilities more accurately. The classification scheme is as follows:

**Local supplier:** A local supplier serves only a limited number of sites or buying locations (often only one) within a country. The database should include information about the country and the sites within that country that the supplier is capable of serving.

**Domestic supplier:** A domestic supplier can serve any location within a country. The database must note the country or countries that the supplier can competitively serve.

**Regional supplier:** A regional supplier competitively serves many countries within a single region. Examples of regions include North America, Latin America, Asia-Pacific, and Europe. A few suppliers may also serve only a portion of a region.

**Multi-regional supplier:** A multi-regional supplier can competitively serve two or more regions.

**Global supplier:** A global supplier can competitively serve most, if not all, countries around the world.

Most companies regularly evaluate their suppliers' performance in search of inefficiencies or possibilities for further growth to buttress the supply chain and reinforce relationships with suppliers. These supplier evaluations are holistic assessments grounded in verifiable quantitative metrics and meaningful qualitative observations.



By examining a supplier's capacities, technological resources, delivery strategies, and general business practices, you can ensure that your partners share your priorities, and can then adjust their operations to your company's competitive benefit. In the process, you can significantly reduce your own risks, improve visibility at every stage of operations, and create greater value for your products and services. First, supply departments must identify which potential suppliers exist for a particular commodity and where they are located. Next, they must determine which suppliers are capable of providing the required goods and at what total cost. Organizations must then narrow the supplier pool through a structured evaluation process to arrive at a smaller set of supplier candidates. Lastly, a rigorous evaluation must occur to evaluate suppliers' past performance and capabilities. These factors, however, become more challenging when suppliers are located in distant areas. Gathering supply market intelligence (SMI) requires supply managers to obtain and analyze the available intelligence, which is generally more complex and more difficult when suppliers are located in distant areas requiring extensive, and often costly, travel.

Supply market intelligence is the result of obtaining and analyzing information relevant to companies' current and potential supply markets with the objective of supporting effective decision-making. Supply market intelligence includes six important elements:

**Commodity profile information:** This information identifies the type and nature of products or services, manufacturing or service delivery processes, and quality requirements or standards.

**Cost structure:** This element consists of the costs associated with capital investment, raw materials, manufacturing, quality, storage, transportation, duties, export control, inventory carrying, taxes, insurance, port of entry, supplier development, energy, overhead, and profit.

**Supply base information:** This portion includes current and potential suppliers, supplier characteristics, and country location.

**Market information:** This information identifies supply and demand price drivers, capacity utilization, and other factors that determine price and availability for the commodities in question, along with the market size and predicted growth rate.

**Competitive analysis information:** This analysis is for buyers’ and suppliers’ relative size and buying power, substitute products and services (i.e., products and services that can be readily substituted for those currently sourced and are comparable at lower prices),

**Quality:** Evaluation of suppliers’ past performance regarding product failure rates and overall quality leading to customer satisfaction. Further evaluation would reveal the extent of quality programs to prevent defects (such as Total Quality Management or lean) and how defects are corrected other customers using the same sources of supply, and other factors influence buying leverage.

## 2.2. Reviewing sources of potential suppliers.

Supplier identification and evaluation is the process of searching for potential suppliers who will be able to deliver products, materials, or services required by companies. The outcome of this process is to compile a list of potential suppliers. Procurement then takes the lead to evaluate each prospective supplier against specific criteria like cost, quality, consistency, and other performance metrics. Supply market intelligence is the result of obtaining and analyzing information relevant to companies’ current and potential supply markets with the objective of supporting effective decision-making. Supply market intelligence includes six important elements

**Commodity profile information:** This information identifies the type and nature of products or services, manufacturing or service delivery processes, and quality requirements or standards.

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**Quality:** Evaluation of suppliers’ past performance regarding product failure rates and overall quality leading to customer satisfaction. Further evaluation would reveal the extent of quality programs to prevent defects (such as Total Quality Management or lean) and how defects are corrected other customers using the same sources of supply, and other factors influence buying leverage.

### **2.3. Developing appropriate and accurate purchase specifications.**

Purchase specifications After suppliers have been selected, evaluated, and approved, procurement departments may choose to utilize those suppliers to provide products and services. This can occur in several ways, depending on the system in place in procurement: awarding a specific purchase order (PO) or a blanket PO, material purchase release, or contract. Developing and awarding POs is an important step because almost all POs include standard legal conditions to which the orders are subject, including the following:

#### **Legal conditions of Purchasing order**

- Purchase Order number
- Item description
- Material specifications, including any references to SOWs and engineering drawings
- Quantity requirements
- Quality requirements
- Price
- Delivery due date and method of shipment
- Ship-to address
- Order due date
- Name and address of purchasing firm
- Payment terms

Purchasing will typically issue a PO for each required item. Depending on the nature of the item and the relative price of the item, negotiations may or may not be required before awarding the Purchase Order.

## Weighted Scorecard

A weighted scorecard is a tool often used by procurement to perform an objective evaluation of multiple supplier responses for the same item. It also serves as a permanent record to justify a contractual commitment in the form of a purchase order to the highest scoring supplier. Procurement routinely uses a weighted scorecard process to document key criteria, such as industry experience or financial strength for an item to be purchased and assigns a proportionate value for each criterion.

For example, a company wants to procure an item that will be used in its manufacturing process to assemble an end product. The criteria that are important for this item might be price, delivery, and quality. Percentage values are then assigned for each of the three criteria and several supplier responses are evaluated and compared by populating the weighted scorecard, which defines the comparative value of the criteria.

In developing the weighted scorecard for this example, the criteria (what is important to the company) are defined and listed in the far-left column, followed by the weight for each of the criteria. As suppliers' responses are received, they are scored by entering data into the appropriate columns. These scores are then mathematically calculated into points for each supplier; the points are totaled to determine the award. Supplier B scored the higher value compared to supplier A. The purchase order would be awarded to supplier B.

## Award Purchase Orders

In this step, POs are awarded and released to the supplier, and deliveries are subsequently received by the ordering organization. Many organizations transmit orders electronically through electronic data interchange (EDI); orders can also be transmitted over the Internet. After the award, procurement is also responsible for monitoring the status of open POs, expediting orders, and providing ongoing administration for other tasks.

Goods Receipt. The goods receiving process involves several processes and documents, including a material packing slip, bill of lading, and discrepancy report, each of which is explained further below.

**Material Packing Slip:** This includes weights, dimensions and the quantity of units used in the transportation. The goods receiving process involves several processes and documents, including a material packing slip, bill of lading, and discrepancy report, each of which is explained further.

**Bill of Lading:** Transportation carriers issue a bill of lading, which records the number of goods delivered to a location on a specific date. The bill of lading details the number of boxes or containers delivered; other details about the shipment appear on packing slips and are the suppliers' responsibility for recording on this slip. The bill of lading also

ensures that carriers are protected against wrongful allegations that they have damaged, lost, or otherwise tampered with the goods they have delivered.

**Discrepancy Report:** Receiving discrepancy reports are used to record any differences between goods received and goods ordered; discrepancies are recorded by the receiving clerk during the receiving process. Procurement groups use the discrepancy report to follow up and resolve any issues with suppliers.

## 2.4. Assessing suppliers against specifications.

A supplier evaluation is a process in which you measure and monitor the performance of your suppliers. This can be done on a regular basis, such as quarterly or annually. The evaluation should include a review of the supplier's financial stability, quality of products or services, delivery times, and customer service. It's important to have a clear understanding of your needs and expectations before conducting an evaluation. This will help you to identify any areas where the supplier may be falling short, they also allow you to identify any potential problems that could impact your business. By conducting regular evaluations, you can make sure that your suppliers are performing at their best, and take action to correct any problems.

Organizations with a global footprint, find managing a supplier base and corresponding sets of varying business rules quite tricky. It is critical to have a robust supplier evaluation plan for internal and external accountability and justification for a continuing relationship.

Depending on the context, a concrete supplier evaluation plan can help you in scenarios like:

- Planning to go for a repeat purchase
- Choosing the best supplier among a pool of ‘good’ suppliers within a category
- Weeding out poorly performing suppliers and replacing them with better ones
- Initiating a regular cost-benefit analysis practice

Assessing and evaluating supplier performance is paramount to a reduction in costs, increased process efficiency, and business performance. They help prevent product issues and post-payment defects and drive improvements in the supply chain

Supplier performance evaluation should be a regular part of your company’s procurement activities, not just a procedure reserved for vetting new vendors. A strong supplier assessment system will regularly evaluate suppliers, using categories and rankings within those categories to determine where strong and weak supply areas are. Even for companies that are only limited in the number of suppliers they can use, evaluations help to distinguish which of the suppliers should be prioritized, as well as to map out potential risk areas. The end goal of the system is to track the consistency of vendor performance in a way that’s incorporated into the purchasing process.

**Production Capacity.** All supplier evaluations should thoroughly appraise the supplier’s abilities and limitations. A supplier that cannot scale production in response to your production cycles will not fare well in any review.

**Quality:** While it can be difficult to quantify the quality of a product, this should always be a central component of a supplier evaluation. ISO BS/EN ISO 9001:2000 certification remains the industry standard here, which indicates that the supplier excels in management responsibility, resource management, product realization, and measurement, analysis, and improvement.

**Performance:** Your company should ask as many questions as needed to determine whether a supplier can handle your typical functions. Previous experiences with similar companies, relevant recent projects, and possible advances on current products or processes are all valid subjects for discussion.

## 2.5. Assessing and negotiating terms of purchase with suppliers.

There are many ways to get information about potential suppliers: -Ask the people who work with you, your friends in the business, teachers in your business school, your consultant or other people who may be familiar with the suppliers. Also, find out where your competitors buy their supplies. contact organizations or clubs that support small businesses, such as the local Chamber of Commerce. They sometimes know which suppliers are reliable. look in newspapers, magazines and trade journals. In some places, there is a list of businesses in the telephone yellow pages. Search the internet for potential suppliers. You can get valuable information about them from their websites, including the type of products they sell, their prices, their credit terms and their delivery arrangements. Use social media as a key source of information about suppliers. It provides a platform for companies to share information about their goods and services. Social media sites allow you to read about experiences that other businesses have had with the suppliers. Visit trade fairs to meet new suppliers. You can get a lot of information about suppliers and their products at trade fairs and then immediately negotiate purchasing terms with them. Advertise for the products that you need on websites, social networks and newspapers. By advertising for your supplies, you are able to get competitive bids and collect a lot of information about suppliers in a cost-effective way.



Figure 2.5 assessing negotiate term

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Find out which suppliers sell the goods, materials, services or equipment you need. Information gathering is important if the potential supplier does not have a relationship with your business. It also helps you to identify other suppliers that you may not have known about. reputation and reliability of the supplier is important. For example: Does the supplier usually deliver on time? Does the supplier accept returned goods or materials? How responsible is the supplier for the quality of goods or material conduct background checks on suppliers

## 2.6. Adjusting and making accurate record for supplies agreement

Procurement cards. are essentially credit cards provided for internal users to purchase low-cost items without having to go through procurement's administrative process. Procurement cards work well for low-cost items that are required on an as-needed basis; they are especially helpful when approved suppliers for low-cost items do not exist and where suppliers are not approved by other purchasing systems. Authorized procurement cardholders make the buying decisions, up to the value allowed on the procurement card and within the prescribed budget of the department that is making the purchase. The monetary value of items purchased and covered by procurement cards is typically low and might consist of brochures for a trade show or conference. In these cases, the cost of involving procurement groups in a supplier search, evaluation, and approval process would typically outweigh the cost of items purchased

Long-Term Purchasing Agreements. Firms enter into long-term agreements with suppliers they plan to work with over an extended period of time. Long-term agreements involve base contracts that are generally in place for a or more. These types of agreements are similar to a BPO process but are established to cover the purchase of higher-value items over a long period of time, such as special packaging supplies

Electronic Data Interchange (EDI). involves a computer-to-computer exchange of information. It can be used to support transactions between buyers and sellers, allowing for greater efficiencies and streamlined communication. This, in turn, can lead to less time and money dedicated to the procurement process

Electronic Catalogs Electronic catalogues provide a user-friendly way of accessing information about a supplier's products and services. The chief benefit of using electronic catalogues is their low-cost search capability; if users order directly from these catalogues, cycle times and ordering



costs can also be reduced. Pricing is often included as part of the catalogue and is referred to as a published price list. Procuring organizations with higher buying volumes may be offered a percentage discount on the rates from the published price list

Automation of Bidding. At many firms, entire bid processes have been automated. Bid packages and specifications are made available online from which bidders submit their bids and proposals, and the bid openings and awards are communicated electronically. Cycle-time reductions and other cost savings can be significant if the automated process is efficient.

online auction situations, potential sources are also prequalified and invited to take part in the online bidding. The auction, or event, is set for a specific date and time period, much like the deadline and bid opening deadlines of offline processes. An auction's success depends, in large part, on the quality of bid specifications and the ability of procurement professionals and processes

## Self-Check 2

Name -----

date -----

Occupational-----

ID NO-----

### **Part I. True False**

1. Domestic supplier are types of suppliers who can serve their supply in competitively.
2. Cost structure is the element consist of the cost associated with capital investment.

### **Part II. choose**

1. One of the following the standard legal conditions of purchasing order.  
A. Item description B. food cost C. price. D. A&C
2. One the following is the end goal of the system is to track the consistency of vendor.  
A. Production Capacity B. Quality C. Performance D. All

### **Part III write**

1. Write at least a concrete supplier evaluation plan can help you in circumstances.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

## Operation Sheet-1

**Operation Title:** Reviewing sources of potential suppliers

**Instruction:** list down and identify the Supply market intelligence

**Purpose:** to know your supplier potential

**Required tools and equipment:** paper and pen or pencil

**Precautions:** discussions

**Procedures:**

**Step 1.** Collect your data for each intelligence

**Step 2.** List down them

**Step 3.** Identify and discuss

**Quality criteria:**

You expect to identify and select your best supplier for your business at the end your project.

LAP Test	Practical Demonstration
----------	-------------------------

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Time started: \_\_\_\_\_

Time finished: \_\_\_\_\_

**Instruction I:** Given necessary templates, tools and materials you are required to perform the following tasks within 10 hours.

**Task 1:** select two or more enterprise to get similar product

**Task 2:** collect their supply

**Task 3:** compare their product quality according to given standard and select your best.

## Unit Three- Develop and implement stock control systems

This learning unit is developed to provide the trainees the necessary information regarding the following content coverage and topics:

- Developing and communicating stock control systems with colleagues.
- Developing special stock control systems for high wastage or loss.
- Making adjustment and monitoring workplace systems.
- Training staff to minimize stock wastage

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Ensured temperature checks on delivered goods
- recorded temperature results are according to organizational procedures
- Deficiencies with delivered food items are identified, and supply within scope of own responsibility, or report findings are rejected
- Correct environmental conditions are chosen and prepared for the storage of perishable supplies
- Dates are coded for perishable supplies to maximize their use
- Supplies are promptly stored in appropriate storage area to minimize wastage and avoid food contamination

### 3.1. Developing and communicating stock control systems with colleagues.

Buying and Stock Control is one of the manuals in the Improve Your Business series. It is useful for entrepreneurs who have already established small enterprises and who wish to develop their business, increase sales and reduce costs. To prevent similar mistakes, you should have the answers to questions like these before you buy the equipment's

- Does the equipment work well?
- How often does it break down?
- Is there a newer type of equipment that would be better?

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- Which equipment is the cheapest to run and easiest to operate? \
- Do I need special training to use the equipment?
- Can I get it? Is it free?
- How long will the equipment last?
- Does the supplier give a written guarantee?
- Will the supplier install the equipment and service it?
- Can I have it serviced locally?

You can get the suppliers to answer most of these questions, but you should also talk to your employees, business associates and people who use the same or similar equipment. You can also find information about equipment specifications, reliability and limitations on the internet. It is equally important to check the compatibility of your machine with the other equipment you have.



Figure 3,1

Your equipment will need repairs. Ask the supplier or local repair shops about spare parts and guarantees of service before you buy any equipment. You need to find out answers to the following questions: Are spare parts available locally? If not, how quickly can you get them? What quality are the spare parts and how much do they cost? Are there local experts trained to maintain or repair that kind of equipment? How long is the guarantee for the equipment? What are the conditions of the guarantee? When you buy spare parts, make sure you buy the right parts for your equipment. The cheapest spare parts may not be the correct ones. Your business loses a

lot of money when the equipment breaks down and you have to stop production. Buying original models of the spare parts will save your business a lot of money. Have a good business relationship with an experienced repairman who knows your equipment well.

**Raw material:** -Manufacturers need raw materials to make goods to sell. Raw materials are all the materials that go into the goods you make. Accurate estimations of the right number of raw materials that your business needs guarantees that the business is not undersupplied and ensures that you are able to deliver products on time. On the other hand, an oversupply of raw materials ties up valuable capital. Manufacturing activities need to be well planned and delivery timelines established so that your purchase of raw materials is timely and accurate. Try to use raw materials that are easily available from reliable suppliers and are of good quality. Using quality assured raw materials increases the value of your products and the likelihood that they are perceived as reliable by your customers.



Figure .3.3.2

On the other hand, do not buy and use raw materials that make your product cost more than your customers are willing to pay. Look with happened in this business Find out what your business needs Get information about different suppliers Conduct background checks on suppliers Contact the suppliers for quotations Negotiate the terms and choose the best suppliers Sign the contract and make the order Receive and check the goods immediately Check the invoice and make the payment.

Our business will require services from other businesses, such as security services, transport services, cleaning services and equipment servicing and maintenance. In many cases purchasing services from reputable service providers is less expensive than doing it yourself. You may also consider outsourcing some production work in case your people do not have the necessary skills or if the work is seasonal. For example, a garment factory can outsource embroidery to women in the village who can do the work at home. Outsourcing helps you to save production costs, plus it Services and outsourcing creates good relationships with local people and generates more employment. Before you select a service provider or someone to do the outsourcing, do some research and find out if the potential subcontractors have the skills and experience needed for the jobs you want them to do. Ask people who have contracted their services in the past to find out if they are reliable, if they have the skills, you need and if their reputation is good.

### 3.2. Developing special stock control systems for high wastage or loss

Organizing your business buying function is an important step in the buying process. The people in your company who are responsible for the buying process need to constantly ascertain what customers want by monitoring their buying behavior. they also need to be up-to-date on the new products coming into the market. It is recommended that you designate one person authorized to make final purchasing decisions for your business.

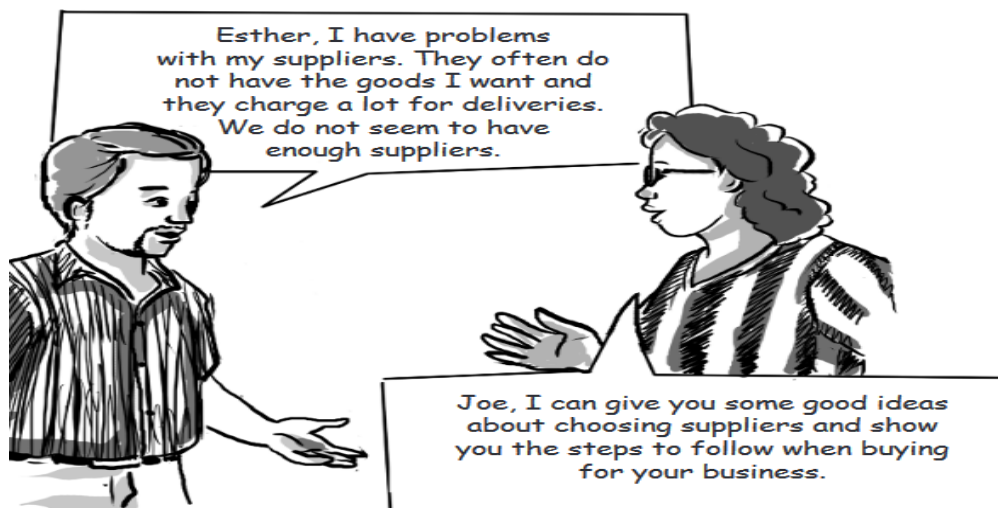


Figure 3.3.3



It is important to keep in mind that the figures recorded in the above figure are not related to actual kitchen production in any useful way. The figure merely compares numbers forecasted to numbers sold. The next logical step is to monitor the performance of the kitchen staff to judge how closely the chef has followed the production quantity standards provided on the production sheet for the day. To do this, it is necessary to establish a procedure for keeping records of portions rejected by customers and returned from the dining room. Such records may be kept on a form known as a void sheet, illustrated in the Figure below.

### 3.3. Making adjustment and monitoring workplace systems.

The workplace is where employees perform their work. Typically, workplace conditions are specified by regulatory agencies and technical documentation and controlled by the employer. But, with more staff members working from home, many times workplace control is no longer possible. Employers find themselves leaving it up to employees to decide their environment. In this article, we will discuss on-site workplace management that is controlled by the employer. Generally, the workplace should be designed or adapted to helping employees perform at the highest level possible. When evaluating a workspace, one should consider both technical and ergonomic standards. In order to standardize the work, automated processes may be used. These are fully mechanized processes. While automation will reduce the functions by employees, they will still need to be monitored to recognized and troubleshoot issues as they arise. Monitoring the operations of the workplace is necessary and it's advisable for larger businesses to establish an internal labor protection department. In various industries and for small businesses public agencies often fulfill this role. Its purpose is to monitor workplace safety and effectiveness:

- Establish operational guidelines for safety
- Provide a competent specialist as a resource to the company and employees
- Understand regulatory requirements for the industry or work being performed
- Recommend appropriate insurances and process to mana workplace injuries
- Planned modernization for weary processes
- Design appropriate schedules for optimal work production and staff performance

Creating a department for labor protection helps to comply with safety standards in a business. Only experienced and trained personnel will be able to manage people and monitor the implementation of safety regulations. Accounting and bookkeeping also oversee workplace operations from a financial standpoint.

### **Improving workplace operations**

A process improvement plan can help in improving the internal functions of the company. This improvement plan can also increase operational efficiency and decrease operational costs. Some of the ways to improve workplace operations are:

- Create a friendly environment in the workplace. Every employee must be treated fairly with an open-door policy. Open communication is one of the fundamental elements in the workplace.
- It is essential to set the benchmark goals for every department. Setting the benchmark will help the employees performing their tasks efficiently and timely, which will eventually improve business operations.
- Involving every employee, in-process monitoring improves workplace operations. The managers of an organization can conduct service-level operations like desk-side observations and call monitoring. Moreover, a manager should also analyze the reports of a firm and the current operational procedures
- Quality testing can also contribute a lot in improving the workplace operations, and low-level employees can conduct it.
- The managers should monitor the data regularly to look for any differences in the system.

One of the most common and effective ways to monitor customer service **performance** is for management to pose as a client and call in for service. By posing as a client, managers will be able to understand where there may be opportunities for improvement. It is necessary to emphasize the need to create cost-effective jobs that provide the employee with an income level not lower than the subsistence minimum, tax revenues, and deductions to relevant funds. Workplaces with low earnings cannot be considered effective. It is possible to achieve the optimal standards by considering the internal production conditions, monitoring the workplace operations, and clients.

### 3.4. Training staff to minimize stock wastage

Efficient personnel administration is the foundation of any successful organization. For any business to thrive, it has become important to focus on the overall growth and development of the employees in the workplace. Enhance technical skills of the employees and polish their pre-existing capabilities by availing training services for your workforce. Utilize our Employee Training Program Proposal Power Point Presentation Slides to groom the new employees and help them adapt to their job roles. Outline the project context and objectives for training services with the help of this job training PPT template. With this PPT slideshow, assist your employees to develop their technical, communication, and time-management skills as well as the development of emotional quotient with ease. Prepare a plan of action depicting various stages of the coaching session with the help of this PPT presentation. Mention the scope of training and how it indulges in evaluation, sessions, action plan development, employee assessment, and discovery meeting with this asset development PPT design. This PPT proposal helps you formulate a time-frame for all the training services that allow you to track the timely achievement of each task. Educate your clients about the additional services that you offer like webinars, compliance training, digital solutions, and behavior stimulating content by taking the aid of this personnel management PPT graphic. Allow your viewers to choose wisely from the wide range of services offered through this PPT layout. Give a detailed account of the activities to be performed and the investment required for each activity by employing this well-organized and systematic PowerPoint presentation. Gain the trust of your audience by providing the client testimonials and case studies in an orderly fashion by taking the assistance of this PowerPoint template. With this PPT visual, you can present an attractive business overview and assure your audience by displaying your strengths, achievements, vision, mission, and goals.

# Employee Training Program Proposal

**Project Proposal** – (Proposal Name)

**Client** – (client name)

**Delivered On** – (Submission Date)

**Submitted By** – (User Assigned)



Figure 3.4 employ training

## **Self- check**

Name \_\_\_\_\_

ID NO \_\_\_\_\_

Occupational \_\_\_\_\_

Date \_\_\_\_\_

## **Part I. Matching**

### **A**

1. To prevent similar mistakes
2. Raw material
3. Establish operational guidelines for safety

### **B**

- A. monitor workplace
- B. available stock
- C. should alert

## **Part II write**

1. Write at least five the questions you have to answer before you buy the equipment.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

## Unit. Four Develop and implement stock control systems

This learning unit is developed to provide the trainees the necessary information regarding the following content coverage and topics:

- Recording and completing receiving tasks.
- Identifying the difference between physical and perpetual inventory systems.
- Listing the key objectives of an effective beverage purchasing programs.
- Explaining the purpose of effective beverage receiving and storing practices

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Record and completing receiving tasks.
- Identify the difference between physical and perpetual inventory systems.
- List the key objectives of an effective beverage purchasing programs.
- Explain the purpose of effective beverage receiving and storing practices

### 4.1. Recording and completing receiving tasks.

Track weekly inventory. management entails knowing exactly what products and how much of each that you currently have in stock. Performing routine inventory on your restaurant's liquor, wine, and beer supplies will reveal what moves quickly and what doesn't, providing powerful insights for menu planning. It can also point out any discrepancies and potential product loss that can result from over pouring or spillage. Every dollar you have tied up in inventory is a dollar against your potential profits.

**Food and beverage cost reporting:** -The cycle of production is very short and the product is perishable. These factors together with the variations in demand for the product necessitate up-to-date reporting at least weekly if not daily.

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**Assessment:** - there is a need for someone from the food and beverage management team in the case of a large unit, or the proprietor or manager of a small unit, to analyze the food and beverage reports and to compare them with the budget for the period and against previous actual performance.

**Correction:** - A control system does not cure or prevent problems occurring. When the analysis of the performance of a unit or department identifies that there is a problem, it is up to management to take the necessary steps to correct the problem as quickly as possible.

Identifying the difference between physical and perpetual inventory systems.

In any business, inventory is very important. A business needs inventory to meet the customer's need but inventory shall not be in too much quantity neither it should be in less quantity. However, a lot of people think that perpetual inventory is the best choice and others believe physical inventory is the best option. In this blog, we will know the difference between perpetual inventory and physical inventory! But first, let us know their basic definitions!

**Perpetual inventory:** - is one solution for inventory accounting. It records the sale and purchasing inventory through an inventory management system. Perpetual Inventory also provides information in real-time. It enables you to update stock records so that out-of-stock situations do not occur. In simple words, whenever a sale or purchase occurs it keeps updating records in real-time. For example, a clothing store may use perpetual inventory as they need to keep the information updated in real-time so that their customer finds the required dress. Whenever stock arrives, the database added stock into available inventory, and whenever stock is purchased, the stock is removed from the database. o, employees are updated about the inventory precise numbers. It helps in avoiding customer disappointment.

**Physical inventory.** is the process of counting inventory physically. It is done to keep track of the inventory cost of what is sold and what is purchased. The process of physical inventory also helps in finding the expired, broken inventory.





Furthermore, it also helps in finding the actual numbers of inventory as mentioned in the automated software. As it has been seen that inventory numbers in automated software are manipulated. So physical inventory count helps in identifying that.



Physical inventory checking also verifies what is ordered and what is delivered and what is the quality of the product.

The difference between physical inventory and perpetual inventory are discussed below

Table 4.2

<b>Physical Inventory Vs Perpetual Inventory</b>		
 <b>Parameters</b>	 <b>Physical Inventory</b>	 <b>Perpetual Inventory</b>
Process	Physical inventory is manual	Perpetual inventory is automated
Update	Defined by user (weekly, monthly etc.)	Real time information
Orgnaization Size	Physical inventory can be used by startup & small size organizations	Perpetual inventory can be used by medium and big size organizations
Accuracy	Physical inventory is accurate but time consuming	Perpetual inventory is not accurate all the time
Cost	Cost effective	Cost in perpetual inventory vary from size of business
		

### 4.3. Listing the key objectives of an effective beverage purchasing programs.

Managers face a variety of challenges in securing and maintaining the products needed to serve drinks. They must consider which beverage products to buy. They must also consider the amount of beverage products needed to meet customer demand. After placing orders, managers must ensure that beverage products are properly received. The receiving process entails matching the products ordered with those delivered. It also means ensuring that the products have arrived in good condition. After the product is delivered, managers must safely store products, issuing them



from storage as needed. The entire process of managing beverage products in storage involves several separate tasks: Inventory assessment Purchasing Receiving Storing Issuing Managers seeking to understand beverage purchasing, receiving, storing, and issuing must begin by first understanding beverage inventory procedures. Most operations will have several inventories. These inventories include alcoholic beverages, glassware and dishes, food items, nonalcoholic beverages, and cleaning and office supplies. An operation's inventory accounts for both the amount and the value of the products held in the operation. These inventory levels are also known in the industry as the amount "on hand." The quantity of products on hand impacts decisions about when and how much more to purchase. Beverage managers should assess their inventory levels on a regular basis. The frequency of inventory assessment will vary based on the size of an operation. It will also depend on the operation's volume level. All beverage operations will benefit from a regular assessment of inventory, because the inventory process allows managers to make.

**key decisions related: -**

- Maintaining product quality
- Determining what to buy
- Determining how much to buy
- Beverage Inventory Assessment
- Determining when to buy
- Determining costs
- Reducing theft

Restaurant and foodservice professionals often use two basic systems as they manage the products held in inventory: physical inventory and perpetual inventory. physical inventory Managers typically assess the number of products they have on hand by taking a physical inventory. In a physical inventory system, managers count and record the amounts of each product in storage. Typically, they also determine the value of the products held in inventory. In some operations, managers require that two people, working together, take the physical inventory. They do this to help ensure accuracy and to reduce control problems, such as theft. shows a physical inventory form that identifies the information typically collected for each inventoried item. Note that seven bottles of Old Hostler whiskey were in the beverage storeroom

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when the manager took the inventory count. Each bottle has a purchase price of \$17.50. This was known because the cost per bottle was recorded when the product was

Table 4.3

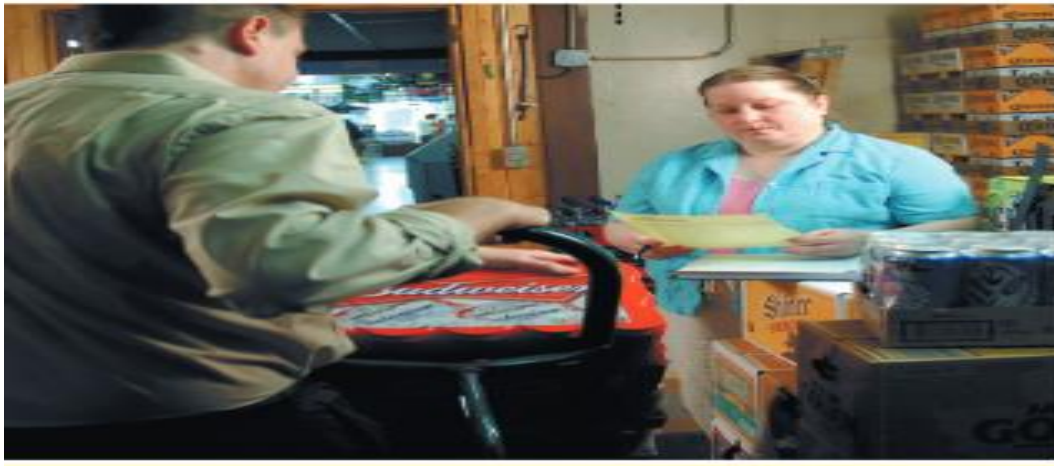
delivered.	Therefore,	the	total	inventory	cost	of	this	product	is	\$122.50:
7	.			\$17.50	.					\$122.50
Total	bottles	Cost	per	bottle	Cost	price				
exhibit										8.1
physical				inventory						Form
item	purchase	unit	no.	of	units					
in										inventory
purchase price total										

#### 4.4. Explaining the purpose of effective beverage receiving and storing practices

Receiving- Receiving defined as an activity for ensuring that products delivered by suppliers are those were ordered in the purchasing activity. The objective of this department is to receive only goods that are ordered according to the specification. Anything that does not meet the standards must be rejected It does little good to make smart purchasing decisions unless there is follow through at the time of product receiving. It is necessary to ensure that products that are ordered are, in fact, received. Most suppliers are ethical, but they are all human. Human error can cause extensive and costly losses to beverage operations that do not consistently and effectively check to ensure that there are no problems at the time beverages are delivered. To properly prepare for receiving beverages, managers take specific actions:

- Provide adequate space for receiving.
- Provide needed receiving equipment such as carts and dollies.
- Establish allowable delivery periods and communicate these to vendors.
- Identify and train receiving personnel.
- Develop a records system for recording the acceptance of delivered products.
- The list of issues that can occur when products are received is seemingly endless.

It is important for the beverage manager to first design a receiving system that incorporates basic control principles, and second to consistently ensure that these procedures are practiced.



Figure, 4.4 receiving procedures

**Storing:** -After purchasing and receiving beverage products, managers most often must store products until the products are issued to the bar area. Just as purchasing involves more than calling in an order and receiving requires more than putting things in the storeroom, so must the beverage manager be concerned about proper storage and issuing practices. A beverage operation's financial goals are directly affected by storage practices. If products are stored correctly, all of the products that are purchased will be used to generate revenue. However, if products are not properly stored, they can be broken, damaged, or stolen.

Any of those outcomes will result in increased costs. When products are purchased and paid for but then not used, more products will have to be purchased at additional cost to generate the same amount of revenue. Product quality and cost concerns must be addressed when managers plan storage procedures. If this is not done, all of the efforts to maintain quality and cost standards when products were purchased and received will have been wasted. Fortunately, the best storage procedures do not require excessive time or costs to implement and maintain. Most beverage products are relatively nonperishable. Unlike perishable food products such as dairy items and produce, most properly stored beverages can be held for long periods of time without this concern. Managers must, however, implement procedures to keep products secure, to

maintain quality, and to provide information necessary for accounting systems. Each of these concerns are addressed separately



Figure 4,4,sorting item of stock

## Self-Check 4

### **Part I write**

1. Explaining the purpose of effective beverage receiving and storing practices.
2. What means that by Perpetual inventory
3. What means that Physical inventory
4. Write the deference and similarity of Perpetual inventory Physical inventory

## Reference

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Participants of this Module (training material) preparation

No	Name	Qualification (Level)	Field of Study	Organization/ Institution	Mobile number	E-mail
1	Berhanu Ragea Edossa	Hotel mgt	FBS Control	N/A TVT	0917441469	berhanuregea@gmail.com
2	Berhanu Getinat				0912	
3	Adane					
4						
5						
6						
7						

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