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Food costing and control: a vital aspect of hospitality industry business

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ABSTRACT

Hospitality industry is one of the business entities that budgeting must be functional and active. The method of it application or execution matters; it will be of good note to know that for effective hospitality operation and growth the food costing and control system should be extraordinary. In this study, the researchers were able to point out the basic element that facilitates the growth of business in the hospitality industry through the proper use of food costing and control, so it can be said that operational cost can be seen as the cost of starting a new business or the cost of investment in the business. Operational cost is the very cost managed by the general manager or the manager in charge of the activities in the industry and it contributes to the growth in the business and the hotel welfare or well-being. Operational cost consist importantly of selling price, which is the actual cost of food, including the accumulated cost for sales, markup for sales, sales variation and sales function. This study will be able to contribute immensely to food costing and control in the hospitality industry with Nigerian perceptive playing a majority role. It was conclude that for a successful business activities or operation to be achieved, an effective cost control and operations should be introduced in the business or organization and operators (investors) should not be in charge of managing the operations and purchases of in the industry as this can introduces bureaucratic measures through waste which cannot be controlled and managed and as a result recommendations were made that the operators of the industry should learn and learn professionals for effective food costing and control system and owners of the industry (business) should draw a clear coast between ownership and management, to help reduce management cost.

Key words: Food cost, Management cost, Operational cost and selling price.

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INTRODUCTION

In the hospitality industry food cost control is very important because as it requires proper budgeting as cost control can limit waste. Food cost and control when properly done and attention given to every detail and process in it functions and activities results into growth of the industry. The method and application of food costing and control in the industry can be achieved through placing accurate budget in the industry. This can be done by knowing and taking the price of each item or product used in the food production unit and also taking into account all the perishable goods and products in the industry. It is important to know that costing help in keeping cost low in planning ahead. More of the knowledge of the number of in-house guest makes it easier to control cost. There are various method used in the different organizations including cost plus. In preparing or making appropriate food cost and control in the industry, the general manager does the budgeting, and in some hotels the breakfast supervisor carries it out, depending on the establishment while in some, the general manager, accountant, store man, purchasing officer, food and beverage controller, food and beverage manager, supervisors, kitchen supervisor, restaurant and bar supervisors does it, while in some organization food and beverage manager and supervisors takes care of the food cost and control.

It is important to operate food costing and control in the industry as far as food is involved, even if it is only staff meals, because this is part of the hotels expense and it needs to be controlled properly. Food costing can be said to be the all time function in the industry including regular and ad-hoc function operations. Understanding control system and how to apply the system the first in first out (FIFO) system is applied in order to prevent throwing food away, we make sure all items that were brought first are used first in all functions and sales outlets including stores and purchasing various things, like in portion control and audit, stock taking, sales, cash control, cashiering and reporting, prevention of theft, and pilfering etc.

In the hospitality industry different portion control methods are involved and it affects the industry positively, when it is well applied or done through weighing of items and making sure that each plate that leaves the kitchen has the exact same amount of items on them and extra has to be charged extra, these methods help to standardize things.

Monthly figure and operating statements are involved in the hospitality industry, just to access, evaluate and monitor the operations and to determine where you stand in business either you are making it or losing and also determine the levels of your progress, if you targets are been meet or not, as this will help in overview of the revenue and expense, been a very important aspect of controlling.

To understand the rationale behind feeding and its effects on food cost, percentage is necessary so that you can determine, amend, moderate or reposition and re-strategize on your food and beverage operations as this helps food cost controlling to be done properly. Food cost involves cost of production and labour which actually looks at purchasing within season and purchasing outside season, cost of extra labour within and outside season and management decision on causal staff. Management cost is not over looked where the cost of supervision and control is considered, the input of the management staff per hour and their monetary value. Operational cost is also an important factor in food cost and control; here the cost of labor is the chief operating factor, involving expense on production, time and wage, expense on maintenance and services and expense on disposal. Also of importance is the selling price, which is the actual cost of food, including the accumulated cost for sales, markup for sales, sales variation and sales function, this is of importance in this study as it help in contributing immensely to food costing and control in the hospitality industry with the Nigeria perspective playing a major role.

DEFINITION OF FOOD COSTING AND CONTROL

These are the activity of check-mating the products and items of the food and beverage production unit of the hospitality industry, through the different methods and applications to avoid wastage in the industry. It is the proper method of operation in the purchasing, utilization and storage in the industry. Food cost and control is the most important aspect of food and beverage operation in the hospitality industry that determines profit and loss in the business analysis daily, weekly, monthly or yearly.

FOOD COST

All the establishments of hospitality industry using the food cost in different ways and manner as it suits their purpose or operation in their activities. Food cost is the method to implore in the production of every product, item in the hospitality industry. In some organizations the caterers are in-charge of the costing in the industry. It is done as part of production process to help evaluate, calculate and cost the product or food to be produced to determine the selling price.

A food cost practiced is shown below:

To prepare an Africana dish of Pumpkin soup, the caterer makes the following cost:

As shown in Table 1, cost is utilized to produce the soup for about 15 guests, which are 15 covers. The cost of labour and overhead is not added but the management or the owners of the business have allowed 45% for expenses and expect 65% profit on gross. So it falls on the caterer the work on the given margin to make the expected profit. To literally calculate the cost of production a cover from the direct cost is 1428.05/15 = N95.20k per cover. Working with the above stated figure and cost we might not achieve effective costing because the cost of meat is not involved so if we add 1kg of beef at ₦1000/kg. I will have a total of ₦2,428.05, so the cost of one portion is therefore to be 2,428.05/15 = Total cost of production/Total number of covers, which is ₦161.87. So for the 45% covering labour cost and overhead is added will follow this procedure:

Selling price = Food cost/percentage of sales x 100.

Table 1. Cost of ingredients for Pumpkin Soup (Ugu).

Items	Quantity	Unit price(N) : K	Amount (N) : K
Pumpkin leave	800g	250 : 00/kg	200 : 00
Achi (thickener)	56g	00 : 10/g	5 : 60
Pepper	30g	00 : 30/g	9 : 00
Onion	15g	230: 00/kg	3 : 45
Red Oil	0.5 litre	275 : 00/litre	137 : 50
Dry fish	950g	1050 : 00/kg	997 : 50
Cray fish	250g	300 : 00/kg	75 : 00
		Total	**1,428 : 05**

Source: Onyeocha et al. (2015).

Food cost = 2, 428.50/100 – 45% x 100/1
Food cost = 2, 428.50/65 x 100/1
Food cost = 242,850/65
Selling Price = ₦3, 736.15k

Another way of calculating this same selling price to get the food cost gross profit margin could be the direct material cost of ₦1,093.00k to be sold at ₦2,428.50k per cover. So the selling price could be calculated as:

Selling Price = cost + Gross (profit) margin
= ₦2, 428.50k + 65% of Sp
SP = ₦2, 428.50k + 0.65SP
SP = 0.65SP = ₦2, 428.50k
0.45SP = ₦2, 428.50k
SP = ₦2, 428. 50k/ 0.45
SP= ₦1, 092.9k = ₦1, 093.
SP = ₦1, 093.

Correctness of the above calculation can be checked through:

SP = ₦1, 093 + 65% of ₦2, 428.50k
= ₦1, 093 + ₦2, 428. 50K
SP = ₦3, 521. 50K.

Taking a look at the calculation, it is more difficult to understand and to use in calculating the food cost and food sales. In the hospitality industry the calculation of the food cost percent is one of the most difficult. In the production of food and its sales, many operators in the industry, instead of going through all this trouble, will just calculate a potion cost for food in the industry and estimate or assume cost for the sales in the industry. So it is advisable for the operator to consider the use of the food cost percentage and calculation in the production of food and sales in the industry.
More so, food cost calculation in the industry can be done in different method depending on what is in production, or the type of business that is been done or one is trying to do. The practice of food cost is mostly use in the industry managed by consultant and it is done mostly because of the auditing and accounting that is been done in the industry. While those running the business by themselves are not mostly concern with food cost percent or sales margin, because they feel it will place cost at will and cause inflation in the economic system of the country, state, local government and community. This is so because the country has no food sales policy or regulation in the country, what you buy a plate of rice in AYX Restaurant, differs from what you will buy from ZYX Restaurant. The market action is also part of this inflation. It is observed that in the hospitality industry for those that practice food costing and control the same international formula is accepted and used in the food and beverage industry. For example if Restaurant ZYX, produces a dish at 20k. To solve or find the selling price, it is (Cost price % = 100 – GP margin)
Implementing the above:

Selling price at 70% GP

Selling Price = cost price (N)/Cost price (%) x 100/1
= 20/100-70% x 100/1
= 20/30 x 100/1
= 2000/30
= N66.66k

The process or procedures in food costing in the hospitality industry, depends on the environmental situation of the country of town to which the industry is located or situated, so the food cost or costing of every establishment depend on the marketing environment and the availability of commodity in use and demand. Costing is a part and the integral nature of the hospitality establishment. Costing cut across every aspect of the food and beverage operation of the hospitality industry, the cost of every production is measured in the quality and quantity of products and production made in the available. More so, the management demands a certain percentage to cover some cost, to this the costing will end up having a huge amount for sales, this excessive price is more seen in the Nigerian or the African hospitality market, where there are no much government legislation or regulation in the production and sales of the hospitality products. The most troubling aspect of costing that is a concern in this study is that the industry has no equivalent cost of labour against the production. The management, uses the staff (producers of labour) to enrich their selves. Where the industry will be on gross of ₦58, 000,000 and Net profit of ₦30,000,000 and at this where this gross and net profit stated is available, the staff of the same industry are paid a total of about ₦1,075,000 per month .To the best of my know this is less than whatever to be compare on the net profit of this same industry or establishment. Joe (2009) states that "Food cost" Technically, we're referring to the costs of goods sold, in this case food is expressed as a percentage of what we sell it for. Let's say we've figure out that the food on a certain plate costs us $5.00, and well sell it for $20.00. We divide our cost of the food by the selling price and come up with .25 or 25% (5/20 =.25). This means we have a "food cost" of 25% for that plate". The above stated could be applicable in the advanced country mostly, the Nigeria and the African countries might not be able to practice this very stated measure of costing or formula, the operators of the Nigerian market do not want less than 65% gross margin profit, therefore the production cost will be based on the 35% gross margin, this will make the operators to fix sales cost at their different outfit without any consideration for customer. Food costing of the Nigerian market is not and cannot be compared with the production cost. Ron and Kate (2012) system of calculating food cost, this system clearly identifies what items are included in each part of the food cost formula and is briefly outlined below:

Food cost = cost of food sales/food sales.

Practically their view is obtainable in the Nigerian system of operation taught as an academic program, the system in the industry has not be visibly seen in the control of product sale or the applying of the cost of sales in the activities in the industry, the costing of the products to be sold in the industry simple comes from assumption and doing a simple calculation of the total amount spent on purchases over the assumed number of covers to be produced. That is to say Total expenses/number of covers = cost of one portion. If we say we have ₦20000 purchases for the day for 28 covers of pounded yam and Egusi soup (Africana), it will simple give us 20000/28 = ₦714.29k. In the Nigeria system of operation, the management will be demanding about 65% gross profit margin, therefore the sales will be equal to:

₦714.29k/100-65% x 100/1
= 714.29/35 x 100/1
= 71429/35
= 2,040.82
= ₦2, 040.82k

The above shows that the cost of producing a dish is ₦714.29k and it is sold at ₦2,040.82k, if simple arithmetic is done, ₦2,040.82k – ₦714.29k = ₦1,325.53k. This is to say that out of every plate of food served the management makes ₦1,325.53k which is equal to ₦1,325.53k x 28 = ₦37,114.84k, the interpretation of this, is that ₦20000 was expended and ₦57, 114.84k was made gross and the 65% margin profit was ₦37,114.84k. Amanda and Tess (2010) formula states that Food cost% = (Beginning inventory + purchase – Ending inventory/Food Sales. The inventory format of food costing in the hospitality industry, is only practiced in the chain hotels, in operation in Nigeria, that is the giant operators in the world, while the core Nigeria operators do not lay emphasis on the inventory costing in food costing, but it is made use of at the end of the month or year accounting for the financial report. While Joe (2008) says "Basic food cost percentage formula:

FC% = (BI + P – EI)/S
FC% = Food cost percentage
BI = Beginning food inventory
P = Purchases
EI = Ending food inventory
S = Food sales

To handle hotel operations, the formula for each outlet or activity should be modified as:
FC% = (BI + P + XFRIN – XFROUT – EI)/S

Where XFRIN: Transfers in, XFROUT: Transfer out.

As stated above, the inventory aspect of food cost shows in the ending account of the hotel or establishment as the case may be. The Implication of food cost in the industry is to Identify the loss or gain in the industry, so the difficulty of the food cost calculation also makes most operators not to get involved in it in order to avoid embarrassment or shame from their employers', because the employers do not know the job, but are just interested in the end product or result which is gain. So based on the target of the owners, the purchasing officer sometimes uses the business to do their personal business and incurs cost for the company or industry, thereby creating more raise in the food cost or production cost of the industry which at the end is paid for by the customer or patronage of the business.

MANAGEMENT COST

The management cost involved all the cost or the implications of the managing or establishing of a new business in the hospitality industry. The cost cut across the cost of legal activities, cost of servicing loan, land, incentive and compensation etc. The management in some quarts can involve the cost of maintenance and may see or see this cost as a direct cost. Sometimes it is not easy to identify the management cost; it is one of those cost that cannot be seen or touch. The management cost is the integral part of the fixed cost in the industry; it is always there and cannot go up or come down. Assuming the industry runs on fixed cost of ₦500,000.00 monthly, automatically the cost will appear in everything that is done in the industry and cannot be neglected. The management cost in the Nigerian and the African type of business management where the owners of the business acts and controls everything that happens in the industry, thereby imposing more cost into the management cost and sometimes operations cost. The management cost can also contribute to the folding or closure of business, where the owner of the business fail to consider the appropriate planning of starting the business and probably spends money as they want without considering the effect on the business or industry. Management cost does not include the cost of taking care of the family relatives, lawyer friends, architect friend or banker friend who helped when trying to establish the business or sourcing for fund or finances for the starting or establishing of the business. The cost is a personal cost and can be added to operational cost depending on the mode or method of the management of the industry or establishment. This to say that management cost is strictly involved the payments done to establish or promote the business in the country, state or community. Out-Law.com (2011) states that “ The operators fees – the operators remuneration for the provision of services under the hotel management agreement, is usually provided for as fee which, in effect, is an operating expenses of the hotel business. It can be calculated as follows: A guaranteed base amount calculated as percentage of revenue from hotel business, and an incentive element, to be earned by the operator, if gross operating profit (GOP) exceeds an agreed threshold. Emphasizing on the last or second clause to give an incentive to operators when gross operating profit exceeds, the global market in the first world and second world country can do and give such in their mode of operation and agreement of management that if the hotel will be managed or operated by another person than the owner. So the exceeding profit cannot not be shared or given partly to the consultant or the operator in the view or ways of managing the Nigeria hospitality market or business. Mishra (2012), Ukabuilu (2004) says in contributing to management cost “the circle of managing cost begins from purchasing. From begin aware of the process involved to knowing the actual requirements of the kitchen, the purchase manager and his supervisor need to always be on a vigil. As the business grows, so does the cost. Tara (2014), Boardman (2002) say that the hotel management agreement is the key document that governs the relationship between hotel manager and hotel owner. Typically, the compensation to the manager is split into two components: Base fee and incentive fee. In trying to narrow the management cost as the cost of reality not a cost spent on trivialities, or casual expenses into the industry. Statistical it is only about 10% of the Nigeria based hotel that knows and practice management cost, moderation and control, that is why there are consultant and auditing. The purchase cost is one important factor that will not be overlooked in this study. Apart from being part of operational cost, the management through the food and beverage manager especially in the kitchen or the perishable points of purchase, monitor the activities of the purchasing officer to avoid incurring more cost for the industry, through wastage and pilferage which is the greatest virus in the industry. The cost when not controlled increase the management cost, therefore making the management to borrow, and servicing loan will surely increase the management and operational cost in the industry respectively.

OPERATIONAL COST

Operational cost in the hospitality industry is the cost that cut across every business that is done in the industry. It is important to know that the operational cost in the industry is very important cost that cannot be neglected or abounded for the purpose of the progress of the business and the activities to be done in the industry, it is also important in keeping the staff or workers of the industry into or activity in their services. Researchers say that operational cost can be seen as the cost of starting a new business or the cost of investment in the business. Operational cost is the very cost managed by the general manager or the manager in charge of the activities in the industry and it contributes to the growth in the business and the hotel welfare or well-being. In explaining the operational cost as the very expenses involved in the running and managing of the business in the hospitality or hotel industry, to bring in more income and revenue into the financial base of the industry, the operational cost in the industry covered the cost of consumables and all the perishables in the industry. Operational cost is the expenses of the industry to enable the business to expand, when expanded, it mean increase in the products to be sold, offered to generate more income for the industry, that will be able to maintain the staff or labour force and the standard of operation in the industry. So it can also be said that the operational cost is the core activities or investment in the industry, so it is the physical cash seen. Physical cash can be said to be the limited amount that can be touch or utilized in the activities. The operational cost is not just money or cash

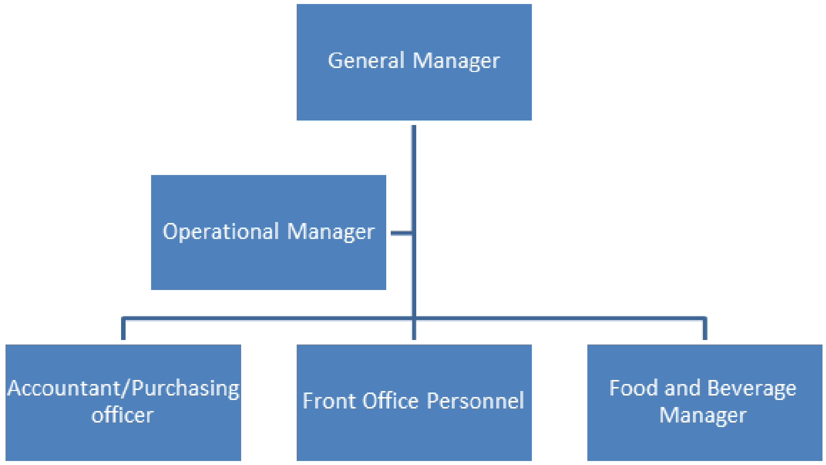

Figure 1. Food cost control operational chart. Source: Onyeocha et al. (2015).

to be spent, but cash to be used in the purpose of running and maintaining business or expanding the business Goldberg (2004). The persons or people involved in managing the operational cost are shown in Figure 1.

Figure 1 shows that there is process or processes involved in managing and releasing fund for the management and maintaining of the business of the hospitality industry, the activity is from chairman of the board to the manager or the general manager of the industry, who will meet with the operations manager, accountant, front office and food and beverage manager. This are the core people, involved in financial revenues and expenses of the industry. Scott (2013), Merick (2005) states that capital expenditure (CAPEX) is the cost of developing a new hotel and purchasing of non-consumable assets for an existing property. For example, the purchase of photocopier involves CAPEX, and the paper, toner, power and maintenance costs represent operating expenses (OPEX). The above definition simply summarized the explanation given above. The capital expenditure and the operating expenditure is the physical cash, or money available for expenses in the activities of the hospitality industry. Tarun Kapoor, has it that "it is safe to assume that wages and salaries will continue to rise, as will the number and cost of benefit. Nevertheless, management is expected to increase or at least maintain income before fixed charges." In assertion we made mention of the operational cost taken care of salaries or staff welfare or well-being, this involves or include the wage, incentives, bonuses, leave allowance or grant, salary increment, training cost, cost of promotion, advertisement(bill board, flyers, menus, tariff etc), so the operational cost is the cost that takes care of every project that will be carried out in the industry to source for more fund, and also maintain the staff and workers of the hotel, and give them a conducive working environment. Brain (2008) states that "budgeting is part of the overall planning process they undertakes, which includes strategic marketing planning and planning for capital expenditures." As it implies in the operational cost, operational cost needs to be planned for, planning in this view involves the budgeting in the industry, budgeting is required before meeting the board of directors, it is or will be the budget the board will request and act on or for the approval of the cash expenses in the industry, as it concerns the business for a period. The budget is planned strictly for the growth and maintenance of business and continuous cash flow of the business. The budget presented and approved, enables another stage of planning and implementation, as careful attention will be paid on the expenditures of the industry. It is stated that operational cost in the business of the hospitality industry is the sustaining cost and business success of the industry, which controls every activity both small and big in the industry, and more so, brings more growth in the business as in the products offered and the patronages from the customer and the staff of the industry. Morrison (2004) states that operational cost in the hospitality industry is the business (actual) of the industry, it make the industry to grow more, progress more and strive more in the business community. Therefore, it states categorically that no business flourishes or grows without the operational cost, and if the operational cost is released, if not managed well will bring down the business (collapse) or fall. Inexperience managers or management can also misuse operational cost, for issues not too valid in the growth of the industry or business, therefore causing down fall of the business or project intended for. This is to say that owners in the hospitality industry, should be able to afford the maintenance of an experienced manager or personnel that will actual bring a turnaround of the business (progress).

Table 2. Comparison of cost price analysis (selling price, operational cost, and taxes).

Names of Hotels	Products and selling price	Running cost of Diesel (fuel)	Amount payable to Electricity ompany	Taxes payable to Government
ABA Hotel	Acc: Single – 3,500 Double – 4,500 Suites – 5,500 Average food- 1200	Per month: N100, 050	Per month: N62, 890	Per month: Community- N10,000 Local Govt.- N22,050 State Govt.- N37,450 Federal Govt.- N57,625
ABB Hotel	Acc: Single – 4000 Double – 6000 Suites – 8000 Average food- 1500	N115, 620	N74,450	Per month: Community- N23,000 Local Govt.- N28,000 State Govt.- N39,550 Federal Govt.- N67,325
ABC Hotel	Acc: Single – 3,850 Double – 4,700 Suites – 7,500 Average food- 1550	N123,050	N67,920	Per month: Community- N19,200 Local Govt.- N28,050 State Govt.- N36,250 Federal Govt.- N47,225
ABD Hotel	Acc: Single – 6,200 Double – 7,950 Suites – 12,000 Average food- 2,050	N134, 075	N82,001	Per month: Community- N10,000 Local Govt.- N22,050 State Govt.- N37,450 Federal Govt.- N57,625
ABE Hotel	Acc: Single – 5,700 Double – 9,500 Suites – 10,750 Average food- 1,870	N179, 900	N88, 578	Per month: Community- N20,000 Local Govt.- N28,372.50k State Govt.- N47,450.83k Federal Govt.- N52,625.36k
ABF Hotel	Acc: Single – 7,620 Double – 10,720 Suites – 15,070 Average food- 2,570	N190, 570	N100,050	Per month: Community- N22,500 Local Govt.- N35,050.20k State Govt.- N47,850.72k Federal Govt.- N87,625.30k

Source: Onyeocha et al. (2015).

SELLING PRICE

Selling price of products or commodities can be said to be the approved marketing price or the cost at which the goods or commodity be valued for. The selling price of any product can be adjusted and readjusted in the hospitality industry and market. The selling price is the tagged price of product either by management or operator to which the marketing manager or the operations manager or the sales representative of the hotel will be informed at what point of bargain a discount can come in or will be given or allowed. Selling price in the hotel industry can be seen in the this forms as a tariff (room rates) in the front office (reception) and housekeeping (accommodation), menu card at the restaurant, wine list or hot in the bar. This selling price can be reduced and increased at will. As observed in Nigeria, there are no uniform in the sales in the hospitality industry, despite class or grade, though the standardization of Nigerian hotels and grading has not being done properly, the government on their side contributes tremendously in the arbitral pricing of the hotel products not only in Nigeria but also in Africa. More so, because of irregularity of power (light) which should be part of government responsibility, hotels fix ranges of their selling prices. Considering experiences in the hospitality industry so far, the average selling price cannot be operated. Let take six (6) hotel in a state, in the country for instance to compare their cost of operations and selling price including taxes payable to both community, local, state, and the National government.

Table 2 shows the activities of hotels in a state comparing different activities, and different levels of operation and cost. These hotels are in one state, both located in different local government and community. No matter where the hotel is, the different levels of taxes must be paid and other utility bills. The analysis above shows that despite the fact that these hotels operate in the same state and different locality, they offer different products and services and charge different cost for services and activities in the hotels. But what affects the prices more is the taxes impose on the hotels by the different tiers of government. From their locality to the central government, the issue of energy or power is also

involved in the price harkening and makes or places the products on the high side. The more important aspect to this is that the central government has no policy controlling the activities of the hospitality industry from the Nigerian perceptive which also affects the other side of African continent, and the globe at large. As said earlier selling price determines several activities of the hospitality industry, either for profit making or loss. Other contributors in selling price have this to say: Business Dictionary.com (2014) sees it as “The market value or agreed exchange value that will purchase a definite quantity, weight or other measures of a good or service”. The free dictionary (2012) says it is “the price at which something is offered for sales.” Wikipedia (2012) sees selling price from the point of average selling price and states “selling price of good or commodities is the average price at which a particular product or commodity is sold across channels or markets”.
Selling price can be determined by the formula:

Selling price = purchase price + mark-up (Mark-up is normally expressed as a percentage of the buying price)

Harold (2013) also presents selling price as a formula or format and state that to compute the selling price, let’s assume that a product has a cost of $100 and the seller wants to have a 30% gross margin on its selling price, or 0.30% of SP. The relationship between a selling price, cost and gross margin or gross margin is:

SP – Cost = gross profit or gross margin.

If the gross margin is 30% of SP, the cost of $100 will be 70% of SP.” All the stated fact above is applied in arriving in the cost of selling price, in an environment where there are government policies on cost or cost policies. All these can be applied in principles in the developed countries and environments involved in the hospitality business and there are checks in their activities. Selling price has been the contact between the product producer and the product purchaser, so it is an important element in the growth and management of the hospitality industry and its activities. The customer of the industry brings the money to which the value for money must be derived. In literatures of selling price and the application in developed countries it is what doing, while in the 3rd world countries the customers do not get satisfaction for money, therefore they pay more for less product. The price issue is now part of the countries, including Nigeria. Selling price is an integral part of every activity of the hospitality development in the business of the industry. Nevertheless the hospitality industry whether controlled or not must have selling price for every product in the industry, ranging from the accommodation, food and beverages, halls, outdoor catering etc. The selling price is one of the very issues to be improved upon in the hospitality industry.

CONCLUSION

After careful examination on food cost control, a vital aspect of hospitality industry business, it can be concluded that for a successful business activities or operation to be achieved, an effective cost control and operations should be introduced in the business or organization and operators (investors) should not be in charge of managing the operations and purchases of the industry, which introduces bureaucratic measures; through waste and cannot be controlled and managed.

RECOMMENDATIONS

Operators of industry should learn and involve professionals for effective food costing and control system, operational cost of the business should be worked on through the reduction of labour cost, the owners of the industry (business) should draw a clear coast between ownership and management, to reduce the cost of management and flourishing of the business can be achieved only through effective and good planning before venturing into the hospitality business.

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