



National Unit Specification

General information

Unit title: Costs and Control in Hospitality (SCQF level 6)

Unit code: J1NR 46

Superclass: NA

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Unit purpose

This unit is designed to enable learners to develop the knowledge and skills necessary to identify practical aspects of controlling revenues and costs in the hospitality industry and the effect this has on business viability.

Learners will investigate pricing methods, cost behaviours and the effect of changes in costs and sales on business performance.

The use of electronic spreadsheets/digital packages to calculate food and beverage recipe costings is also covered in this unit.

This unit is suitable for learners who are undertaking the study of this subject for the first time and/or those who wish to progress within the hospitality industry.

This unit is mandatory in the National Certificate (NC) in Hospitality Operations at SCQF level 6. It can also be delivered as a stand-alone unit.

This unit is also part of a progressive suite of units relating to finance in the hospitality industry at SCQF levels 5–8.

On successful completion of this unit, learners may wish to progress to the *Hospitality: Financial Control Systems* at SCQF level 7, seek a position in the hospitality industry, apply for promotion in the industry or investigate the possibilities of starting a business.

National Unit Specification: General information (cont)

Unit title: Costs and Control in Hospitality (SCQF level 6)

Outcomes

On successful completion of the unit the learner will be able to:

- 1 Calculate food and beverage recipe costings using a digital package.
- 2 Use a variety of pricing strategies to maximise revenue and net income.
- 3 Identify cost behaviours and how these impact on a hospitality business.
- 4 Calculate the effect of changes in revenue and costs to business viability.

Credit points and level

1 National Unit credit at SCQF level 6 (6 SCQF credit points at SCQF level 6)

Recommended entry to the unit

While entry is at the discretion of the centre, learners will benefit from having attained:

- ◆ A National Course or National Units at SCQF level 5 in Hospitality
- ◆ A National Unit in *Numeracy* at SCQF level 5
- ◆ Similar qualifications/experience of working with numbers
- ◆ Experience of working in the hospitality industry

Core Skills

Achievement of this Unit gives automatic certification of the following Core Skills component:

Core Skill component	Critical Thinking at SCQF level 5 Using Number at SCQF level 5
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There are also opportunities to develop aspects of Core Skills which are highlighted in the Support Notes of this Unit specification.

Context for delivery

If this unit is delivered as part of a group award, it is recommended that it should be taught and assessed within the subject area of the group award to which it contributes.

The Assessment Support Pack (ASP) for this unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>)

Equality and inclusion

This unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when

planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website www.sqa.org.uk/assessmentarrangements.

National Unit Specification: Statement of standards

Unit title: Costs and Control in Hospitality (SCQF level 6)

Acceptable performance in this unit will be the satisfactory achievement of the standards set out in this part of the unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

Outcome 1

Calculate food and beverage recipe costings using a digital package.

Performance criteria

- (a) Enter recipe details into a digital package to calculate individual item costs
- (b) Calculate the selling price for a dish or beverage to achieve a target gross income
- (c) Apply VAT at the current rate to calculate the selling price to the customer
- (d) Use appropriate formulae

Outcome 2

Use a variety of pricing strategies to maximise revenue and net income.

Performance criteria

- (a) Discuss pricing strategies and sales mixes in relation to a range of hospitality operations
- (b) Calculate individual food and beverage menu prices based on an established/estimated sales mix
- (c) Calculate individual food and beverage menu prices based on a target net income
- (d) Apply an appropriate pricing strategy to food and/or beverage items

Outcome 3

Identify cost behaviours and how these impact on a hospitality business.

Performance criteria

- (a) Define variable and fixed costs for each the elements of cost in hospitality operations
- (b) Calculate unit variable and total fixed costs from given information
- (c) Calculate unit contribution
- (d) Calculate the break-even point of a hospitality operation

Outcome 4

Calculate the effect of changes in revenue and costs to business viability.

Performance criteria

- (a) Calculate the effect of changes in demand to the sales revenue of a business
- (b) Calculate the effect of changes in demand to the variable and fixed costs of a business
- (c) Calculate the effect of changes to revenue and costs on break even points
- (d) Analyse the overall effect of change on business viability

National Unit Specification: Statement of standards (cont)

Unit title: Costs and Control in Hospitality (SCQF level 6)

Evidence requirements for this unit

Evidence is required to demonstrate that learners have achieved all outcomes and performance criteria.

Outcome 1

Evidence should demonstrate the learner's ability to use a digital package/spreadsheet based software to calculate accurate individual ingredient prices and the overall selling price (including VAT at the current rate) for dishes and/or beverages from given menus, to achieve a target gross income. Target gross incomes should be in keeping with the background information supplied to learners.

Learners should be provided with a three-course menu *or* a beverage list that includes a minimum of three mixed beverages, to include both alcoholic and non-alcoholic beverages. Each dish or beverage should contain a minimum of three ingredient costs and cater for between 4 and 100 covers.

Learners should clearly demonstrate the use of appropriate formulae throughout.

Outcome 2

Evidence for performance criteria (a), (b) and (c) should demonstrate the learner's ability to calculate the selling prices for food and/or beverages for two hospitality operations based on:

- ◆ Sales mix
- ◆ Target net incomes

Evidence for performance criteria (d) should demonstrate the learner's ability to recommend the use of appropriate pricing strategies for two given hospitality operations. There should be a focus on:

- ◆ Realistic returns
- ◆ Customer expectations/demands
- ◆ Location
- ◆ Competitors pricing
- ◆ Short/long term returns

Outcome 3 and 4

Evidence for these outcomes should demonstrate the learner's ability to:

- ◆ Define the behaviour of different costs incurred in a hospitality operation, including:
 - Variable and fixed costs for food/beverages, labour and overheads
 - Calculation of unit contribution
- ◆ Calculate the breakeven point of a hospitality operation for given conditions
- ◆ Analyse the effect of changes in demand and costs on a hospitality operation
- ◆ Comment on the short term and long term viability of a hospitality operation based on the cost analysis



National Unit Support Notes

Unit title: Costs and Control in Hospitality (SCQF level 6)

Unit support notes are offered as guidance and are not mandatory.

While the exact time allocated to this unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this unit

This unit should begin with a general recap on the points covered in the National Unit *Hospitality Costing* at SCQF level 5, being mindful that some learners will not have completed this unit, due to being a direct entry student at this level. The main point to recap on could be an overview of the variety of organisations currently operating under the term 'hospitality'.

To start with, learners should be exposed to a variety of basic calculations using measurements, groupings of elements of cost, gross and net income. Completion of these calculations could then be used to highlight the strengths and weaknesses of each learner. The results of these exercises should be retained by the learners and be used as a measurement of progress/distance travelled as they progress through the unit.

As a rule, all outcomes should involve discussions on customer expectations in a variety of hospitality settings as well as learners' personal experiences. There may be some reluctance to work with figures and carry out calculations, however it is essential to make all exercises realistic for all learners to enable them to gain an appreciation of the impact of controlling (or not controlling) costs on hospitality business

Learners should be exposed to a variety of current menu offerings, including food, alcoholic and non-alcoholic beverages from a variety of outlets to include, for example:

- ◆ Fast food outlets
- ◆ Cafés and bistros
- ◆ Industrial/subsidised canteens
- ◆ Restaurant style operations

At this level, some learners will aspire to entering the hospitality industry in a supervisory role, gaining promotion in an existing job and, in some cases, consider owning their own business. It is important, therefore, to develop case studies, examples and exercises that enable learners to think of the supervisory aspect of controlling costs in hospitality businesses.

National Unit Support Notes (cont)

Unit title: Costs and Control in Hospitality (SCQF level 6)

Outcome 1

Realistic recipe costing exercises could be carried out using current price lists and popular dishes/beverages. This could also be related to recipes being produced in practical cookery classes or beverages prepared in food and beverage operations units.

Whilst the focus of this outcome is to use standard electronic spreadsheets, cognisance should be given to the principles of manual recipe costing in order to apply formulae confidently and accurately. Emphasis should be given to the advantages of using a spreadsheet format.

It would be useful to incorporate two and three course menu offerings, including beverages, for packages and special offers to attract customers. These can then be used to compare offerings from local hospitality operators and the possible profits available to them.

When calculating selling prices, learners should be explore the effects of different gross income percentages being applied in different scenarios and for different courses, ie, 65%, 70% and 75%.

The skills involved should include the use of whole numbers, decimals, percentages, multiplication and division.

Outcome 2

This outcome should follow seamlessly from Outcome 1, using the dish and/or beverage costings completed in this outcome, as a starting point.

Pricing strategies should cover the use of:

- ◆ Sales mix
- ◆ Target incomes
- ◆ Customer base

Using two and three course menu offerings should lead to discussions on sales mix and gross/net incomes achievable.

All strategies should include:

- ◆ Food
- ◆ Beverages
- ◆ Accommodation
- ◆ Events/functions

National Unit Support Notes (cont)

Unit title: Costs and Control in Hospitality (SCQF level 6)

Outcomes 3 and 4

These outcomes may be delivered and assessed simultaneously and the concepts of fixed and variable costs introduced to demonstrate the effects they have on the break-even points of a variety of hospitality operations. Hospitality operations should incorporate:

- ◆ Food and beverage operations
- ◆ Events/functions
- ◆ Proposed business opportunities

Variable costs could include:

- ◆ Food
- ◆ Beverages
- ◆ Hire of equipment eg, glasses, crockery for specific functions/events
- ◆ Labour
- ◆ Overheads

Fixed costs could include:

- ◆ Rent/mortgages
- ◆ Electricity and other standing service charges
- ◆ Wages/salaries

Calculations should provide opportunities to demonstrate the effects of changes to sales volumes, Average Selling Prices (ASP) and other cost behaviours, allowing learners to make basic recommendations for improvement and/or decision-making in a range of hospitality business opportunities.

Guidance on approaches to delivery of this unit

The emphasis of this unit should be on practical work involving exercises and discussion, and using electronic spreadsheets/digital packages where appropriate.

Learners should be allowed access to calculators, phones and other appliances as used in everyday calculations.

This unit should be delivered in a teaching classroom. Access to IT is recommended for the purposes of learner centred research into the possible costs of providing local hospitality operations.

Cognisance should be given to the possible lack of personal experience of learners throughout the delivery.

If possible, and in conjunction with other units delivered in a hospitality/events/professional cookery group awards, learners should visit a variety of local hospitality organisations. This will help learners to relate the knowledge gained in this unit to real life situations throughout.

National Unit Support Notes (cont)

Unit title: Costs and Control in Hospitality (SCQF level 6)

Outcomes 1 and 2 should be delivered separately and delivery of Outcomes 3 and 4 integrated. It is recommended that the order of delivery should follow the sequence of writing.

It is recommended that exercises be devised which encourage a continuity of approach in the details of any case studies used in the delivery of all outcomes. This will allow learners to gain an insight into the day-to-day operations of a variety of hospitality operations and develop a deeper understanding of the unit as a whole, rather than individual outcomes delivered in isolation.

Learners should also be encouraged to develop a portfolio of evidence throughout the delivery of this unit.

Outcome 1

Introduction to this outcome should focus on simple manual calculations involving kilograms, grams, litres, millilitres, multiplication, division and percentages as a refresher for all learners, culminating in one manual recipe costing exercise, dependent on the successful completion of the exercise. If necessary, other exercises can be used to consolidate the principles of recipe costing.

Learners will have different experience/expertise in the use of spreadsheets, so it is advisable to establish starting points in the group and then 'buddy' confident users with non-confident users. This will support teamwork and allow time to concentrate on those who may be struggling with the use of formulae in spreadsheets. It will be useful to work through one recipe with all learners, taking account of spreadsheet/number experience/confidence.

Recipes used should contain a minimum of three ingredients, using a mixture of kilograms and litres. Learners should be presented with a choice of recipes that reflect a mix of courses and current dishes available locally (including those being used in the learning environment). This should serve as a connecting factor with other units being undertaken.

An example of the effects of changes to recipes/ingredient prices will help to demonstrate the benefits of using spreadsheets.

When considering suggested gross incomes for dishes/beverages, group discussion of personal experiences of price ceilings will support the allocation of different gross income percentages to different food and beverage menu items.

VAT at current standard rate should be added to the cost of each dish/beverage to arrive at a charge to the customer. Learners should then be encouraged to give a full cost to the customer of two/three course menu offerings which include beverages. This could then be used in discussions and comparisons made with local offerings, in terms of competition.

Learners should be encouraged to maintain a portfolio of their class work that allows them the opportunity to refer to previous exercises and formulae used in their calculations.

National Unit Support Notes (cont)

Unit title: Costs and Control in Hospitality (SCQF level 6)

Outcome 2

Following on from Outcome 1, the concept of sales mix can be introduced via case studies based on the range of local hospitality business operations, which could include:

- ◆ Cafés/bistros
- ◆ Restaurants
- ◆ Hotels
- ◆ Leisure clubs
- ◆ Events venues
- ◆ Educational establishments (including the learning environment)
- ◆ Industrial/subsidised canteens.

Learners should be encouraged to experiment with applying different sales mixes to menu items. Then they should recommend the ultimate sales mix to achieve a maximum gross income for a range of hospitality operations, as stated above, to cover:

- ◆ Snacks
- ◆ Lunches
- ◆ Dinners — formal and informal

When introducing target net incomes, learners should be encouraged to investigate current interest rates available to investors by various high street banks/building societies to establish a base rate for comparison and application to the variety of business operations as stated above.

Using a variety of case studies, learners should then be able to calculate a selling price, inclusive of VAT, which would achieve a stated net income whilst covering all three elements of cost, namely:

- ◆ Food and beverage (cost of sales)
- ◆ Labour
- ◆ Overheads

Group discussion should focus around the practical aspects of pricing in order to come to recommendations for adoption of a specific pricing strategy in each of the case studies used. These recommendations should focus on:

- ◆ Realistic returns in comparison with current interest rates
- ◆ Customer profile
- ◆ Location
- ◆ Competitors pricing
- ◆ Short/long term returns/investments

This could be reinforced by visiting local establishments for research purposes before making a group presentation on one of the selected case studies. Learners could be encouraged to maintain a portfolio of evidence that could include class exercises and visit reports.

National Unit Support Notes (cont)

Unit title: Costs and Control in Hospitality (SCQF level 6)

Outcomes 3 and 4

Focus on these outcomes should be on all three elements of cost used in Outcome 2 to introduce the concept of variable and fixed costs (there is no need to introduce the term semi fixed or semi variable costs at this level).

The behaviour of these costs could be illustrated by varying levels of activity in case studies used in Outcome 2. This could lead to the introduction of unit costs, which can then be used to establish the term contribution generated by each customer.

Sufficient information should be presented in the form of further case study information, based on the same case studies used in Outcome 2, in order for learners to determine:

- ◆ Variable costs per customer
- ◆ Total fixed costs
- ◆ Unit contribution
- ◆ Break even points in number of covers and revenue

Having successfully established all of the above, learners should then be presented with proposed changes to:

- ◆ Sales revenue per person
- ◆ Changes to average spends
- ◆ Changes to variable costs per cover due to economies of scale and/or changes in inflation rates
- ◆ Changes to fixed costs incurred due to proposed business changes

Again, learners should be encouraged to maintain a log-book/portfolio of evidence throughout the delivery of this outcome.

There is no need for learners to produce information graphically for unit.

Guidance on approaches to assessment of this unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

All outcomes should be assessed in an open-book format, where learners have access to logbooks and/or worked examples completed during the delivery of this unit.

Learners should be allowed access to calculators, phones and other devices, as used in everyday life calculations.

Instruments of assessment should be designed to allow learners to provide evidence of their understanding and application of all concepts as stated in evidence requirements.

National Unit Support Notes (cont)

Unit title: Costs and Control in Hospitality (SCQF level 6)

Outcome 1

Learners should be presented with three individual menu items, which include a beverage, with realistic price lists for at least three ingredients in each dish/beverage.

Each of these menu items should have a different gross income attached. VAT inclusive selling prices for both two and three courses should be presented.

Outcome 2

Learners should be presented with two case studies to calculate realistic selling prices based on:

- ◆ Sales mix
- ◆ Target net income

Learners should make recommendations for adoption of a pricing strategy in each of the case studies. These recommendations should focus on:

- ◆ Realistic returns in comparison with current interest rates available
- ◆ Customer profile
- ◆ Location
- ◆ Competitors pricing
- ◆ Short/long term returns

Outcomes 3 and 4

Using a case study based on the same operations as used for Outcome 2, learners should identify:

- ◆ Variable costs per person
- ◆ Contribution per person
- ◆ Total fixed costs
- ◆ Break even points in covers and sales

The assessment instrument should include an increase or decrease in average selling prices and variable and fixed costs. A statement on the pros and cons of these proposed changes should make mention of the behaviour of these costs.

Learners should be allowed access to calculators, phones and other devices as used in everyday calculations.

A learner's work could be authenticated by checking against recommended solutions and, where any doubt of understanding or application exists, confirming with logbook completion/compilation of class-based exercises.

National Unit Support Notes (cont)

Unit title: Costs and Control in Hospitality (SCQF level 6)

Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this unit. By e-assessment we mean assessment which is supported by Information and Communication Technology (ICT), such as e-testing or the use of e-portfolios or social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the evidence requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at www.sqa.org.uk/e-assessment.

Opportunities for developing Core and other essential skills

Numeracy: Using Number at SCQF level 5

For all outcomes, learners are required to apply a range of numerical skills in order to compare and cost recipes, calculate portion costs, calculate selling prices to meet gross and target incomes and apply VAT to selling prices. In addition, learners will explore various elements of cost and calculate the effect on income of various changes to costs and revenue. Therefore, learners will be demonstrating the Core Skill component of Using Number at SCQF level 5.

Information and Communication Technology: Providing/Creating Information at SCQF level 4

For Outcome 1, as learners are required to use electronic spreadsheets to enter recipe details, calculate items costs and selling prices, apply VAT, using appropriate formulae throughout they will be demonstrating the Core Skill component of Providing/Creating Information at SCQF level 4

Problem Solving: Critical Thinking at SCQF level 5

For Outcome 2 learners are required define various pricing strategies and sales mixes in order to apply appropriate pricing strategies to two different hospitality operations. In addition, for Outcomes 3 and 4 learners are required to identify cost behaviours and analyse the overall effect they have on hospitality operations. In doing so, they will be demonstrating the Core Skill component of Critical Thinking at SCQF level 5.

The Critical Thinking component of Problem Solving at SCQF level 5 and Using Number component of Numeracy at SCQF level 5 are embedded in this unit. When a learner achieves these units, their Core Skills profile will also be updated to include these components.

History of changes to unit

Version	Description of change	Date
02	Core Skills Components Critical Thinking and Using Number at SCQF level 5 embedded.	17/5/19

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General information for learners

Unit title: Costs and Control in Hospitality (SCQF level 6)

This section will help you decide whether this is the unit for you by explaining what the unit is about, what you should know or be able to do before you start, what you will need to do during the unit and opportunities for further learning and employment.

This unit is designed to enable you to develop the knowledge and skills necessary to identify practical aspects of controlling revenues and costs in the hospitality industry and the effect this has on business viability.

You will investigate pricing methods, cost behaviours and the effect of changes in costs and sales on business performance.

The use of electronic/digital packages to calculate food and beverage recipe costings is also covered in this unit.

No previous experience is needed before undertaking this unit, however, it would be advantageous if you have completed the unit *Hospitality Costing* at SCQF level 5 or have experience of working with numbers and/or experience of working in the hospitality industry

You will be allowed access to calculators, phones and other devices as used in everyday calculations when completing exercises and assessments for this unit.

Completion of this unit will also enable you to develop the following Core Skills:

- ◆ *Numeracy: Using Number* at SCQF level 5
- ◆ *Information and Communication Technology: Providing/Creating Information* at SCQF level 4
- ◆ *Problem Solving: Critical Thinking* at SCQF level 4

On successful completion of this unit, learners may wish to progress to the *Hospitality: Financial Control Systems* at SCQF level 7 seek a position in industry, apply for promotion in the industry or investigate the possibilities of starting a business.

This unit is part of a progressive suite of units relating to finance in the hospitality industry at SCQF levels 5–8.

The Critical Thinking component of Problem Solving at SCQF level 5 and Using Number component of Numeracy at SCQF level 5 are embedded in this unit. When a learner achieves these units, their Core Skills profile will also be updated to include these components.