



## CHAPTER 7

# STORAGE CONTROL

### LEARNING OBJECTIVES

After completing this chapter learners would be able to:

- (i) Know at what temperature the different goods are stored
- (ii) Know the layout of stores
- (iii) Understand the stock records and bin cards
- (iv) Understand the perpetual inventory method
- (v) Understand the issue of stores and Performa of requisition slip
- (vi) Understand the transfer, inventory and stock levels.

### INTRODUCTION :

#### 7.1 Aims and Objectives

The basic motive of the store department is to supply the requisite stores to Kitchens, Restaurants, Bars, House Keeping, etc. as and when required. There should be no wastage of stores due to bad storage, over stocking, wrong storing, wrong issuing (FIFO), etc. The store keeper should not be able to supply the requisite supplies but the goods supplied should be as per the desired specifications. Unnecessary storing of large quantity should also be avoided as this will increase the inventory cost and larger store space is required and this may also be a cause of wastage of stores.

The store (s) should be located near the receiving department and they should also be conveniently located so that various departments can pick up their stores without wasting much time and energy. The goods lifts can be provided to supply the goods to various departments.

The size of the stores should be large enough so that different items can be stored separately. Moreover, space is required to un-pack the large packets and then stack them properly. It is a saying that in stores there should a space for every thing and every thing should be at a proper place. The stores should be well ventilated and well lit. This helps in increasing the shelf life of the goods. The store should also have sufficient racks, containers, refrigerators, deep freezers, etc. so that the goods can be stored at proper temperature. For storing wines the cellar should be made in basement or the temperature of the cellar should be maintained so that the wines are stored properly and they should not get corky during storage time.

The store department should adhere to specific timings so that all departments can pick their stores. Usually different timings are allocated to various departments to pick their stores. This schedule timing helps hotel to supply goods to every one without wasting time. After the store timings the store should be properly locked and sealed and the keys should be deposited with time office. Only the staff working in store department should be allowed to enter in the stores. In case store is to be opened in the absence of store keeper then three responsible officers should open the store and all goods issued should be recorded and the store keeper should be informed about the same on his arrival to the hotel.

#### RECOMMENDED TEMPERATURE FOR STORAGE OF SOME COMMODITIES:

Following is the list of some food items with the recommended temperature at which they should be stored

S.No.	Item	Recommended Temperature
01	Dressed Poultry Frozen	-18C
02	Dressed Poultry Fresh (same day use)	-3 to 0 C
03	Eggs	2 C
04	Milk (Bottled/Poly bag) and milk products	-1 to 4.4 C
05	Fish	-5 to -1 C
06	Shell Fish	-18 to -10 C
07	Meats	-8 to -3 C
08	Root vegetables	Room temperature (22 C)
09	Tomatoes	13-15.5 C
10	Fresh fruits	5-8 C
11	Grocery dry	Room temp.
12	Oils and fats	Room temperature

#### Layout of Stores:

Whatever form of layout is used, it is advisable that the stores stock lists should be printed in relation to the layout so that stock taking becomes convenient.



### Typical Layouts of Stores are:

- (i) The stored items should be either arranged alphabetically or numerically. For all items, separate bin cards should be made.
- (ii) The frequently issued goods are stored near the delivery door / window and the items which are not issued frequently can be stored a little away from the window / door.
- (iii) The commodities stored can be grouped,. For example, all pulses can be stored at one place and fruits and vegetable at other and the canned food at different place / rack.

### STOCK RECORDS

There are different procedures to maintain the stock records for small sized hotels and for large hotels:

#### Maintenance of Stock Records in Small sized hotels:

The owner or the manager may personally supervise the store. The small quantity of items is purchased on daily basis. All food and beverages received are recorded in the goods received register and this register also has an issue column and the balance is also shown in the same register. One registers only gives the entire information regarding receipt, issue, balance of all items stored in the store department. In some hotels separate records are maintained for issuing. But for each date separate pages are allocated for receiving and issuing purposes.

#### Maintenance of Stock Records in Large Hotels:

A large hotel with a large amount of stock of a great variety, very detailed records are necessary. The motive is to control the valuable stock efficiently. The commodities are issued against requisitions and are recorded in issue register. All requisitions should be signed by authorised person.

#### Bin Cards:

Bin Cards are prepared for each item stored in the store. It contains the description of the item, balance of the item, quantity of goods received; the quantity of goods issued and the balance of the item are shown on daily basis. It also shows the minimum stock, reordering point / level, maximum stock, danger point / level, economic ordering quantity. The bin cards are either kept along with each item or they are stored near the store keeper working table.

## BIN CARD

Item: Chicken (Broiler)			Bin No 225	
Minimum Stock 50 kg. Maximum Stock 300 kg.			Re Ordering 100 kg	
Danger Level 30 kg			Economic Ordering Quantity 1000 kg.	
Date	Balance B/d	Received	Issued	Balance C/d
Clerk's Signature			Supervisor's Signature	

### Stock Cards:

Instead of using Bin Cards, Stock Cards can be used. These should be kept either in tray file, loose leaf holder or in a cupboard. The stock cards are stored either alphabetically or they are stored numerically. Each item is given a serial number. A card is kept for each item and while issuing the items the stock card is filled up and subsequently the entry is made in the bin card. At any given time if inventory is taken then the quantity shown in the stock card must tally with the actual quantity available in the store.



### Perpetual Inventory Method:

Perpetual Inventory means checking of stock items from one day to another. The control department maintains the inventory control card / record for each item held in stores. All commodities received and issued are recorded date wise. The goods are received by the receiving department as per the purchase order, supply order, invoice and records the goods received in the goods received register. He transfers the goods received to stores. The store department enters the goods received in its records and also records them on all bin cards and stock cards. If the records are maintained properly by stores, receiving department then it becomes very easy to check it at any time for accuracy of entries and for control purposes.

### Stores Issue:

For each department the schedule for issuing stores is made. All departments are required to come to stores for receiving stores at the specific day and time. The person from receiving stores is required to bring along with him store requisition register / slip. Against the requisition slip the goods are issued by the store department. While issuing him physically measures / count the items to be issued and record them in the requisition slip / register. The person receiving stores signs the slip. The store keeper retains the original copy of the slip and the carbon copy is returned to the department receiving stores for record purposes. In case of large requisitions the store keeper requests the department to give him the requisition a day in advance or at least a few hours before so that he can issue the stores without delay.

STORE REQUISITION

Department .....	No. 3454364 Date.....
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60



**a) Transfer Notes:**

Transfer of food items both in the raw form or cooked / semi cooked form from one department to another department within the hotel is done through transfer notes. For example, the kitchen may make out a transfer note to the room service bar for Irish Whisky for making an Irish coffee. Usually bar makes its own requisition for fresh fruits and picks them up from stores. But at times the bar may make a transfer note for fresh fruits like oranges, pineapple, lemons, etc. and pick them up from kitchen. The columns of the transfer form may be quite similar to the requisition form. Both transfer notes and requisition slips are internal invoices.

All requisition slips and transfer notes are sent to control department and accounts department for control and accounting purpose.

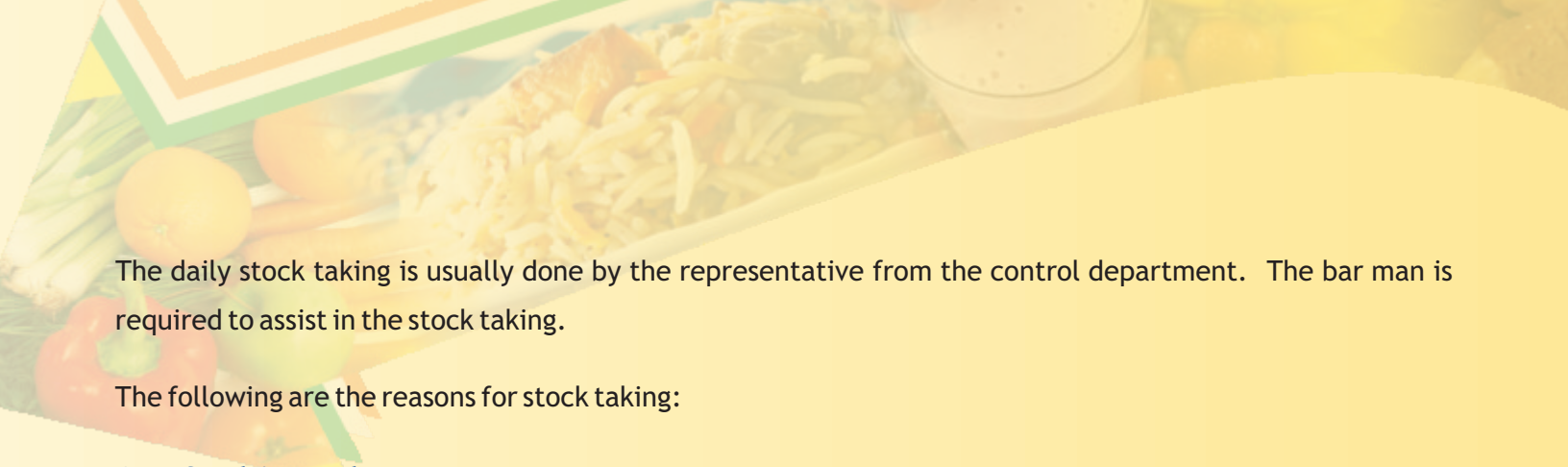
**Breakages, Spoilage, Damaged Goods:**

Though the breakages, spoilage and damage of goods should be avoided as far as possible, but the spoilage can not be eliminated altogether. In case management is of the view that the breakage / spoilage / damage of goods is due to the negligence of the store department then it is charged to the stores personnel. All breakages, etc are recorded in damaged goods book. The book would record the date, description of item, details of purchase, value, reasons for spoilage, action taken by the store in charge and remarks. Normally, the spoilage of items due to unavoidable reasons is written off by the management.

**Stock Taking:**

The regular and surprise stock taking is a must for an effective control. This should be followed in addition to daily check kept on the receipt and issue of items from the stores. The stock variation may not be always due to pilferage but usually the variation in physical stock as compared to the stock as per Bin card may be due to variation in weighing (less weighing or over weighing). In case of a little bit variation, the store keeper may be warned orally to be more careful in weighing the items while issuing.

The purpose of beverage stock taking is to ascertain the actual value of beverages in stores and how much it is different from book value. Usually every day after the bar is closed the physical stock taking of all beverages is taken. The open spirit bottles are measured physically to know the exact number of drinks in stock. The balance C/F becomes the balance b/d on the following day. All purchases / requisitions are added and the balance shown at the end of the shift is deducted to know the actual consumption for the day.



The daily stock taking is usually done by the representative from the control department. The bar man is required to assist in the stock taking.

The following are the reasons for stock taking:

**1. Stock in Hand:**

To calculate the profit and loss account, it is must to know the actual value of stock in Rupees to show it a in the books. The stock of items is taken physically and the value of the stock in hand is calculated. Usually the actual cost or the current market price, which ever is lower, is taken into account for calculation the value of stock.

**2. Discrepancy:**

No matter how carefully the receipts and issue of goods are recorded in the stores records, still there might be discrepancy in the physical stock in hand, as compare to the stock in books. Management must ensure that these discrepancies must be minimised, if not eliminated all together.

**3. Printed Stock Sheets:**

The stock taking should be taken by the group of persons consisting of officials from Control department, Accounts department and Food and Beverage department. The printed stock sheets are prepared as this helps in taking the stock more speedily.

**4. Time of Stock Taking:**

Usually the stock taking is done either after the closing hour of the stores or before opening of the normal stores timings. This is done to avoid any disturbance to the routine distribution of the requisitions to various departments.

**5. Stock Taking on Monthly Basis:**

The stock taking should be done at least once a month. If any discrepancy is discovered then the record for the same is made and the actual stock is taken in the books for day to day operation.

**6. Professional Stock Takers:**

The management may hire professionals for Stock taking at least once a month. This ensures that the stock taking is done more systematically and efficiently by the internal staff of the hotel.

## STOCK TAKING REPORT

To G.M., F & B Manager, Control Department, Accounts Department, Purchase Officer Chef,  
Head Store Keeper

Date .....

Time .....

Item	Stock Value	Book Value	Difference Value	Remarks
<div> <div>Stock Takers: Controller</div> <div>Accountant</div> <div>F &amp; B Officer</div> </div>				

### Stock Turnover:

Stock turnover means that how much stock is kept at the stores in relation to the food cost or sale. The more the stock is kept at stores, the more cost / investment are incurred by the hotel.

Stock Turnover = Cost of food consumed = Rate of Stock Turnover (RST)

Average Stock at Cost

### Illustration:

Rs. 48,000 of food items were consumed in a month. The opening stock on 1st of the month was valued at Rs. 5,000. The closing stock on the last day of the month was Rs. 7000. Find out the Rate of Stock Turnover.

### Solution:

$$\begin{aligned}\text{Rate of Stock Turnover} &= \frac{\text{Cost of Food Consumed}}{\text{Average Stock at Cost}} \\ &= \frac{\text{Cost of Food Consumed}}{\frac{\text{Opening Stock} + \text{Closing Stock}}{2}} \\ &= \frac{48,000}{\frac{5000 + 7000}{2}} \\ &= \frac{48,000}{6,000} = 8\end{aligned}$$

This means that the total value of the stock turned over 8 times in the month trading period.

### Stock Levels:

The stock level has a direct impact on either running out of stock of an item (with all the problems that would follow) or of over stocking of an item, and thereby tying up unnecessary working capital. The management would like to have a stock level which should neither have a situation of running out of the stock nor over-stocking.



The stock level in any hotel may differ from hotel to hotel depending upon the following reasons:

1. Forecast on volume of sales
2. Re-ordering time for the item (minimum stock required at any given time)
3. The Economic Ordering Quantity
4. Expected price of the item, availability, etc.
5. The storage space and facility available
6. The shelf life / keeping quality of the item
7. Working Capital available
8. Danger level

Some of the above mentioned reasons are beyond the control of the purchase officer. He must evaluate the forecasts, market availability, etc to maintain a correct stock level for every item so that he can have the best stock turnover and the return on working capital.

#### **SUMMARY / RECAPITULATION:**

1. The stores should be in nearby area to the receiving department.
2. Bin cards are prepared to know the stock in hand, name and address of the supplier, maximum stock, minimum stock, etc.
3. Perpetual Inventory means checking of stock items from one day to another.
4. Stores should be issued against proper store requisitions only.
5. Periodically the physical verification of the stock should be taken.

#### **LONG ANSWER QUESTIONS:**

- Q1 Why is requisition an essential part of issue control? Explain
- Q2 What are the different ways that stocks can be valued in a Food and Beverage Service operation?
- Q3 Explain briefly the following: (a) Bin Card (b) Meat Tag (c) Re Order level (d) Standard Yield (e) Economic Order Quality

