Food and Beverage Cost Control 7th edition Dopson Test Bank

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Chapter 1

Managing Revenue and Expense

Multiple Choice Exam Questions

Choose the letter of the best answer to the questions listed below.

1. When significant variations from planned results occur foodservice managers must
   a. determine the cause, identify the problem, and take corrective action.
   b. take corrective action, determine the cause, and identify the problem.
   c. identify the problem, take corrective action, and determine the cause.
   d. identify the problem, determine the cause, and take corrective action.

   Correct answer is d (See: Chapter 1; Understanding the Budget)

2. Professional foodservice managers are different from many other managers who manufacture products because foodservice managers
   a. supervise staff.
   b. purchase raw ingredients.
   c. have contact with the ultimate consumer.
   d. are responsible for achieving organizational goals.

   Correct answer is c (See: Chapter 1; Professional Foodservice Manager)

3. An operation's expenses are the
   a. number of guests it serves.
   b. sales dollars generated by the business.
   c. dollars that remain after all costs have been paid.
   d. costs of the items required to operate the business.

   Correct answer is d (See: Chapter 1; Profit: The Reward for Service)

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4. Management's view of the proper amount of expense required to generate a given level of sales is referred to as
   a. total cost.
   b. prime cost.
   c. ideal expense.
   d. cost of goods sold.

   Correct answer is c (See: Chapter 1: Profit; the Reward for Service)

5. Complete the formula: Revenue - Desired Profit =
   a. Food Cost
   b. Cost of Sales
   c. Ideal Expense
   d. Other Expense

   Correct answer is c (See: Chapter 1; Profit: The Reward for Service)

6. What is the first step in the Five-step management process?
   a. Controlling
   b. Planning
   c. Directing
   d. Organizing

   Correct answer is b (See: Chapter 1: Profit; the Reward for Service)

7. Which is a major foodservice expense category all managers must learn to control?
   a. Taxes
   b. Revenue
   c. Labor costs
   d. Union costs

   Correct answer is c (See: Chapter 1; Profit: The Reward for Service)

8. What is an expense that would be included in an operation's cost of food?
   a. Linen
   b. Coffee
   c. Gas for a range
   d. Refrigerator repair

   Correct answer is b (See: Chapter 1; Profit: The Reward for Service)

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Questions 9, 10, 11, 12, and 13 utilize the following information:

A simplified income statement for The Tampopo Noodle House is shown below:

	$	*%*
Revenues	$800,000	100%
Food & Beverage Cost	$300,000	
Labor Cost	350,000	
Other Expenses	50,000	
Total Expense		
Profit		

9. What is the food and beverage cost percentage achieved by The Tampopo Noodle House?
   a. 22.9%
   b. 27.5%
   c. 37.5%
   d. 42.9%

   Correct answer is c (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

10. What is the Total Expense amount for The Tampopo Noodle House?
    a. $600,000
    b. $650,000
    c. $700,000
    d. $750,000

    Correct answer is c (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

11. What is the Profit achieved by The Tampopo Noodle House?
    a. $50,000
    b. $75,000
    c. $100,000
    d. $125,000

    Correct answer is c (See: Chapter 1; Understanding the Income (Profit and Loss) Statement

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12. What is the profit percentage achieved by The Tampopo Noodle House?
    a. 6.25%
    b. 12.50%
    c. 37.50%
    d. 50.25%

    Correct answer is b (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

13. If the desired profit for The Tampopo Noodle House was 15% of sales, what amount of profit should it have achieved on revenue of $800,000?
    a. $100,000
    b. $120,000
    c. $140,000
    d. $160,000

    Correct answer is b (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

14. A manager generated a food and beverage cost of $1,575 in one week, and achieved a 28% food and beverage cost percentage in that week. What is the amount of food and beverage revenue the manager achieved in the week?
    a. $5,080
    b. $5,430
    c. $5,625
    d. $6,055

    Correct answer is c (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

15. What is a term that means the same thing as a foodservice operation's revenues?
    a. The sales dollars the operation achieves
    b. The amount of profit the operation achieves
    c. The cost of all the items required to operate the business
    d. The dollars that remain after all the operation's expenses have been paid

    Correct answer is a (See: Chapter 1; Profit: The Reward for Service)

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16. In what cost category do managers record nonalcoholic beverage expenses?
    a. Revenue
    b. Food cost
    c. Beverage cost
    d. Other expenses

    Correct answer is b (See: Chapter 1; Profit: The Reward for Service)

17. What is the formula managers use to calculate a foodservice operation's profits?
    a. Revenue – Expense = Profits
    b. Revenue + Expenses = Profits
    c. Sales + Food cost - Labor cost = Profits
    d. Sales + Food cost + Labor cost = Profits

    Correct answer is a (See: Chapter 1: Profit: The Reward for Service)

18. What is the formula managers used to calculate a foodservice operation's Total Expense Percentage?
    a. Labor Cost ÷ Revenue = Total Expense %
    b. Total Expense ÷ Profit = Total Expense %
    c. Total Expense ÷ Revenue = Total Expense %
    d. Total Expense ÷ Other expenses = Total Expense %

    Correct answer is c (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

19. Last month a manager's food expense equaled $30,000. Labor expense for the month equaled $26,000, and other expenses equaled $12,000. Revenue for the month was $85,000. What was this manager's total expense percentage?
    a. 40%
    b. 45%
    c. 80%
    d. 85%

    Correct answer is c (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

20. A manager creates a 6-month staff salary budget. How much of the salary budget can this manager spend each month and still stay within the budget?
    a. 15.50%
    b. 16.67%
    c. 17.50%
    d. 18.67%

    Correct answer is b (See: Chapter 1; Understanding the Budget)

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21. What is the effect on an operation if its manager is able to increase the number of guests served or increase the amount each guest buys?
    a. Revenue will decrease and expenses will decrease
    b. Revenue will decrease and expenses will increase
    c. Revenue will increase and expenses will decrease
    d. Revenue will increase and expenses will increase

    Correct answer is d (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

22. What is the name for a forecast or estimate of future operating revenue, expense and profit?
    a. P&L
    b. Budget
    c. Income statement
    d. Expense category

    Correct answer is b (See: Chapter 1; Understanding the Budget)

23. What is the formula used to calculate a Food Cost Percentage?
    a. Profit ÷ Revenue = Food Cost %
    b. Food Cost ÷ Food Sales = Food Cost %
    c. Total Expense ÷ Revenue = Food Cost %
    d. Labor Expense ÷ Food Sales = Food Cost %

    Correct answer is b (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

24. To make all of their budget periods equal, some foodservice managers create budgets consisting of
    a. 7 days.
    b. 21 days.
    c. 28 days.
    d. 30 days.

    Correct answer is c (See: Chapter 1; Understanding the Budget)

25. What is the purpose of the Uniform System of Accounts for Restaurants (USAR)?
    a. To reduce expenses
    b. To improve revenue
    c. To increase operational profits
    d. To report financial results clearly

    Correct answer is d (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

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True/False Exam Questions

Choose the letter of the best answer to the questions listed below.

1. Ideal expense in a foodservice operation is management's view of the proper amount of expense needed to produce a specific amount of sales.
   a. True
   b. False

   Correct answer is a (See: Chapter 1; Profit: The Reward for Service)

2. A foodservice operation's revenue will vary with both the number of guests visiting the business and the amount of money spent by each guest.
   a. True
   b. False

   Correct answer is a (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

3. The budget shows the actual revenue, expense, and profit of an operation.
   a. True
   b. False

   Correct answer is b (See: Chapter 1; Understanding the Budget)

4. The sign of a good foodservice manager is that his or her actual costs are consistently lower than the amounts indicated in their budgets.
   a. True
   b. False

   Correct answer is b (See: Chapter 1; Profit: The Reward for Service)

5. The three ways to write a percent are: common, fraction, and decimal.
   a. True
   b. False

   Correct answer is a (See: Chapter 1; Percent Review)

6. A manager has food sales of $40,000 and food expenses of $10,000 in an accounting period. This manager achieved a food cost of 40% for the period.
   a. True
   b. False

   Correct answer is b (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

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7. If a budget was accurate, and the foodservice operator is within reasonable limits of the budget he or she is said to be "in line" with the budget.
   a. True
   b. False

   Correct answer is a (See: Chapter 1; Understanding the Budget)

8. The use of the Uniform System of Accounts for Restaurants (USAR) is mandatory when reporting the financial results of a food service operation.
   a. True
   b. False

   Correct answer is b (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

9. When calculating a fraction form percentage, the "whole" is the numerator and the "part" is the denominator.
   a. True
   b. False

   Correct answer is b (See: Chapter 1; Understanding the Income (Profit and Loss) Statement)

10. Foodservice managers most often face a fewer variety of challenges in their jobs than do managers of manufacturing operations.
    a. True
    b. False

    Correct answer is b (See: Chapter 1; Professional Foodservice Manager)

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