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George M. Fuller
Iowa State College

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Tea Room Accounting

By GEORGE M. FULLER, Associate Professor of Economic Science

UNLIKE a mercantile concern, the stock-in-trade of a tea room consists solely of food which, at most, will last only a couple of weeks. The records and accounts of a tea room should not differ materially from those of any other business. The big problem in tea room catering is to serve the guest with the best food and still keep the per capita cost within reasonable limits. The accounting for cash and other property is simple; it is in the kitchen and store room where large losses occur. A simple cost system in the kitchen, combined with comparative analytical reports of the report on sales, is the best solution of this problem. Many economies may be effected and numerous losses and wastes detected, when detailed records of daily food consumption are kept for comparison.

It is not the purpose of this article to present a detailed system for tea room accounts, but, rather to point out the basic requirements on which have been built the many excellent systems in use today. The effort will be, first, to present the more general accounts, their function and operation; and, second, the detailed records and accounts which describe the operating activities.

The first group of accounts necessary are those which will reflect the financial condition of the business (balance sheet accounts) and the amount of net investment. Such a list might include the following:

Resources

Cash
Perishable Provisions on hand
Stores Provisions on hand
Building
Land
Kitchen Equipment
Dining Room Equipment
Office Equipment
Linen
Silverware
China and Glassware

Liabilities

Accounts owed to holders of meal tickets
Accounts owed to creditors
Notes owed to others
Owner's Investment
Profits

The above accounts, recorded in a simple ledger, present an X-ray picture, —a cross-sectional view of the business at a given time. In case the tea room is operated under a corporate form of organization, the item, "Owner's Investment" would be called Capital Stock, and "Profits" would be called Surplus.

The above accounts will tell the owner or manager where the business is. The next group of accounts are necessary to tell how the business got where it is, one group the cause and the other the effect. These accounts which describe how results were obtained, are the "movie picture" accounts, viz: income and expenses. The chief sources of income in a tea room are (1) food, (2) catering, and (3) candy, beverages and cigars. Three accounts are therefore necessary:

Sales of food

Income from catering (if any)
Sales of candy, etc.

The subsidiary records used in accounting for tea room income are the following:

Waiters' checks
Meal tickets (if any)
Cashier's report

The waiters' checks are simply sales tickets. The cashier should receive a waiter's check for every service, whether paid for in cash, meal ticket, or a charge. The cashier enters then on this report the balance on hand at the beginning of her day's duties, the receipts of cash from meals, from meal tickets, and meals previously charged. This report also includes the amount of *signed* charge tickets, and the amount of meal tickets punched or taken up. This report should go to the manager's office daily when the receipts shown thereon are entered in the accounts, sales of food, etc.

The problem of handling and controlling cash in a tea room does not differ in the main from that in any other business. The problem is complicated somewhat by the necessity of having several "shifts" of cashiers. In the manager's office is kept a cash book in which are entered the amounts received from the cashier. All cash should be deposited daily in the bank and checks drawn for all disbursements.

The accounting for expenditures is not quite so simple. Every tea room should have some record of the cost of operating the kitchen and dining room. A cost system for the kitchen, to furnish the manager with valuable information, need not be complex. A store-room is indispensable. Most firms surround the cash drawer with much protection and then leave the back door to the provisions wide open. Provisions are as much property as is cash.

A memorandum of purchases, whether the order is given over the telephone, or in person, should be kept. To facilitate the movement of perishable food direct to the kitchen, it has been found advisable to classify food purchases as "perishables," as meats, fish, vegetables, milk, butter, oysters, fresh fruits, and "stores" as canned goods, groceries, and supplies.

In a well-operated tea room "perishables" are not purchased in greater quantities than one or two days' consumption, and these goods need not be recorded in the store room; but "stores" should be recorded on suitable *stores ledger cards*. As canned goods are needed from the store-room, record should be made of such issues on the *stores ledger cards*, so these cards, one for each article, will always show the balance on hand. Perishables should be kept as low as possible.

The advantages of such a perpetual, or running inventory, when applicable, are too well known to need further description. A physical inventory should be taken at least once a month.

For the sake of simplicity it is not necessary, or wise, to burden the books of accounts with the detailed consumption of various items of provisions, such as butter and olives. Adequate control

can be secured by analysis of food taken from the stores and the amount of perishable foods used. Thus, the cost of soups, fish, meats, poultry, eggs, vegetables delivered to the kitchen can be compared with the sales of these dishes, as shown by the waiters' checks. A sheet with a number of columns serves this purpose well. On this sheet are also shown the total costs and sales, the cost of each dollar sale, the percent of gross profit on sales, and the total gross profit.

In determining gross profit, only the cost of provisions, not labor, is considered. The comparisons shown on such an analysis sheet are invaluable as a guide to economical and profitable operation of the tea room. Such comparisons will reveal the items of greatest profit and those most popular. A report of the result of such an analysis is of benefit to the kitchen staff, as it stimulates the economical use of ingredients and perhaps a desire to concoct dishes in delectable ways. The gross profit should be high enough to cover the heavy expenditures, as heat, light, breakage and salaries.

Only two general books of account are needed. The ledger has already been mentioned. The second, cash book and journal, will now be described. If purchases of provisions are grouped as "Perishables," and "Stores," means must be provided for recording same.

A columnar book, or sheet serves very well for a cash book and journal. The following expenses are typical and headings are therefore provided as follows: Date, explanation, total cash received, total cash disbursed, obligations paid, obligations incurred, direct provisions, stores provisions, salaries and wages, chinaware replacements, repairs, fuel, light, water, laundry, refrigeration, equipment, miscellaneous.

In conclusion, every tea room is a problem unto itself. To prescribe a set of accounts and books without a "fit" is bad. There are, however, certain plans which have been worked out that fit all of them. In general, there are two kinds of pictures, still and moving. So there are two kinds of accounts: first, those which reflect the financial condition of the business at any given moment, and second, those which reflect the operating activities of management. One tells you where you are, the other, how you got there. These two interesting and valuable facts are shown in two statements, or pictures, viz: the balance sheet, and the operating statement. The former is merely a statement of resources and liabilities, while the latter is a statement contrasting income with outgo. Care should be exercised that depreciation is not neglected as an operating expense. It is heavy in catering ranging from 15% to 50%, and to neglect it might mean ultimate insolvency.

It is conceded that even in a small tea room, a store-room is advisable. This does not mean that a store-room clerk would have to be employed, altho that might be desirable, but it means that some plan should be provided for re-

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possible to fully heed the call of fashion and have garments that are beautiful in line and color, but Frank Alvah Parsons sums up the situation adequately when he pleads with us to "Render unto fashion the things that are fashion's, and unto art the things that are art's."

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Rather, teachers must take an active part in the best social life of their young people, bringing to it the same genuine interest and enthusiasm that they might show among their friends at home. At the same time, they should observe faithfully the best social and moral standards of the community, being governed as to their personal conduct and even as to their companionships by these standards. And finally, if they show a desire to perform a helpful part in every possible way, regardless of how unpleasant or inconspicuous that part may be, they will have done much to insure that their great adventure will turn out well.

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ording all receipts, properly caring for them, and recording all issues, or consumed stores.

One real small tea room uses this system to good advantage. A daily tally sheet is kept on the wall near the door of the store-room. On this sheet is placed all incoming stores provisions for the day, and goods taken out. The room is open only at stated hours, except in emergencies. The initials of the person receiving and taking goods are placed on this tally sheet and at the end of each day these tally sheets are transferred to the stores ledger cards.

When incoming goods are counted, inspected and recorded, notice is served to employees and merchants that here is a place where affairs are handled in a business-like way. If it is not desired to separate provisions into perishables, and stores, the perishables may be recorded with stores, but in studies of food control it has been found practical and desirable to separate them.

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