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DETERMINATION OF ACTIVITIES OF FOOD AND BEVERAGE BUSINESSES IN ACTIVITY BASED COSTING

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Abstract

In order for businesses to survive in an intensely competitive environment, it is important to calculate their costs in a way that is reasonably priced, as well as to increase their sales. In this point, they may prefer modern cost management accounting approaches instead of traditional cost accounting approaches for the calculation of business costs. The purpose of this work is to determine the action steps and activities that occur in the design stages of the activity-based costing system (ABC), which is one of the contemporary cost management approaches. In this way, activities for cost centers that will help to calculate costs in a more realistic manner for food and beverage businesses will be put forward. This study was designed as an observational case study. In such studies, the primary data collection technique is participant observation. In order to determine the activities according to the activity-based costing method, the 1st class restaurant was chosen as a wedding cocktail in a restaurant. The investigator made observations by pre-cocktail, after cocktail time and after cocktail. Thus, activities and process steps were observed and noted according to the activity-based costing system in the cocktail where the observation was made. Subsequently, the obtained data was presented to the business manager and approved. Menu of eight items was prepared at the cocktail and 240 people were served. As a result of the work, five main activities for cocktail have emerged. These; making the contract with the customer, cocktail preparation, kitchen preparation, cocktail time and after cocktail. There are six transactions in the contract with the customer, 13 transactions in cocktail preparation phase, seven transactions in kitchen preparation, six transactions in cocktail time and four transactions after cocktail.

Keywords: contemporary cost management, activity based costing, food and beverage business, cocktail, case study, Eskişehir.

Introduction

Businesses need new costing systems in order to provide cost-effective technological suitability (Karacan, 2000: 37). The activity-based costing method has emerged as an alternative method to avoid the inaccuracies of traditional costing methods to produce accurate cost information (Köroğlu, 2013). The share of direct labor costs in total cost, which is seen as an important cost element for the enterprises, has decreased. Developments in information technology have increased the share of overheads costs. This has resulted in the distribution of indirect costs increasing in size to products / services becoming more important. This has led to the diversification of allocation measures and the development of new distribution approaches. Activity cost pool is the total cost of an activity. Each

cost pool refers to the activity or set of activities carried out at the activity center (Ülker and İskender, 2005: 199). In allocating costs to products, the traditional cost (accounting) system follows a simple framework. Direct product costs, such as material and labor costs, are traced directly to products. Indirect overhead costs are allocated to products based on a firm-wide overhead rate or multiple departmental overhead rates (Huang, 2018). While traditional cost accounting (TCA) was developed to comply with external financial reporting requirements, it falls short in providing public sector organizations with the strategic information needed in today's environment (Oseifuah, 2018). Cooper and Kaplan (1987) are recognized with developing the activity based costing methodology. Activity-Based Cost systems to solve the problems of traditional cost management systems; that is systems are often unable to identify correctly the true costs of processes. Activity-Based Cost systems assign costs to products on the basis of multiple "cost drivers," which may or may not be proportional to the volume of output (Noreen, 1991). The advantages of ABC over the traditional cost system have been documented in various industries (Huang, 2018). In the traditional cost system, there is only one cost pool for all production costs. There are multiple pools of costs for each factor affecting the use of resources with activity-based costing. In the ABC method, a two-stage distribution process is used. In short, costs allocate to activities. The costs that accumulate in the activities are loaded on the products or services (Köroğlu, 2013). Different from traditional costing system, in the allocation of costs, the cost drivers that are directly related to the products or services produced are used. Cost drivers measure how much a product or service consumes from each activity. Afterwards, activity costs are charged to the goods or services consumed from these activities (Erden, 2004: 191-192).

Design of ABC method; it is important to identify and group the activities and to calculate the operating costs in detail (Gunasekaran and Sarhadi, 1998: 231). Although the design of the ABC method differs from business to business it generally consists of five steps. These steps can be listed as follows (Öker, 2003: 37): Determination of activities, grouping of activities, costing of activities, selection of cost drivers, loading costs into products / customers / zones.

Briefly, in the traditional cost system, products consume resources while activity-based cost system consumes activities resources and consumes activities (Özkan and Aksoylu, 2002: 55). In this study, it is aimed to determine the activities from activity-based costing design stages in the cocktail organization which is organized in a food and beverage business.

Methodology

This study employed a qualitative approach to determine the action steps and activities that occur in the design stages of the activity-based costing system, one of the contemporary cost management approaches. A case study was conducted in the study. Case Study is that the detailed examination of a single example of a class of phenomena, a case study cannot provide reliable information about the broader class, but it may be useful in the preliminary stages of an investigation since it provides hypotheses, which may be tested systematically with a larger number of cases (Abercrombie, Hill and Turner, 1984: 34). With this method, the data required for the research were obtained as a result of observations and interviews with the selected food and beverage business. The research has been conducted with one of the first class restaurants in the food and beverage business, which is the tourism operation license in Eskişehir. On 13.07.2018, observation and interview were made for the wedding cocktail. Observation is a method used to describe in detail the behavior that occurs in any environment or institution (Yıldırım and Şimşek, 2012: 199). In this study, an unstructured field study was used from observation types. Because unstructured field trials are conducted in the natural environment in which the behavior occurs, and in most cases the "participant observation" method is used, in which the researcher participates (Yıldırım and Şimşek, 2012: 201). An observation form was prepared for the observation carried out on the restaurant. Food and beverage activity centers emerged as a result of the literature review on the observation form. After observation, an interview was held with the business manager regarding the observation. A semi-structured interview form has

been prepared. Descriptive analysis method was utilized for data analysis. According to this approach, the data obtained are summarized and interpreted on the basis of pre-determined themes. In order to conspicuously reflect the opinions of interviewed or observed individuals, direct citations are frequently used in descriptive analysis. The purpose of this type of analysis is to present the findings in a revised and interpreted manner. The data were analyzed in four stages in descriptive analysis method: (1) forming a frame for descriptive analysis, (2) finding the themes, (3) identifying the findings, (4) interpreting the findings.

The obtained data are summarized and interpreted according to the previously determined theme. In descriptive analysis, direct citation is often given in order to reflect the views of the interviewed or observed individuals in a striking way. The purpose of such analysis is to present the findings to the reader in an organized and interpreted way. The answers to the questionnaire were reported. For credibility of the study, the data were first presented without any interpretations, and the data were analyzed by more than one researchers. The researchers of this study adhered to the hypothetical circle through continuous comparisons during data analysis (Ersoy and Anagün, 2009).

Findings

The findings of the study were given in two sections as interview and observation findings.

Observation Findings.

Based on the data obtained from the literature during the observation phase, the activities and cost elements of food and beverage business were evaluated. In this context, a total of four codes were generated. These codes are: Cocktail preparation, culinary preparation, cocktail time and cocktail.

Cocktail preparation: On the day of observation, a meeting was held primarily with staff for the cocktail. Each staff member was informed of his position and duty. Missing supplies in the restaurant was identified. The topic of outsourcing was discussed and it was decided not to use it. Suppliers were selected for each material to be purchased. They went to the suppliers and missing supplies were received. After the material were purchased, materials were stored in the store. There are three stores in restaurant. The first store has deep freezers and refrigerators. The second store keeps pulses. In the third store, non-food items are stored.

Preparations have been started in the restaurant after the purchasing process. The restaurant was cleaned. According to the customer's request, table setting was established. This wedding cocktail took place in the open area of restaurant. Bistros were used. Bar table was set up to serve drinks. Glasses were brought to bar table. After all these preparations, the music system was established. When the cocktail time was approaching, dried nuts and fruits were first placed and then cold appetizer plates were placed.

Kitchen preparation: At this cocktail, 240 hot and cold appetizers were prepared. First of all, the foods that will be served cold were started to be prepared. For each meal, material preparation, cleaning and chopping of the ingredients, cooking and dishing up were carried out. After all cold appetizers were prepared, dried nuts and fruits were prepared. When the cocktail time is approaching, hot appetizers to be served are being prepared. The cocktail menu is: veal ham canape, chicken ham canape, party bread, cigarette burgers, potato croquettes, marbled meatballs, carrot salad and dried nuts and fruits. While cooking in the kitchen, the dirty dishes were collected in the dish washing area and started to wash.

Cocktail time: When the guests arrived, service staff began to bring hot appetizers. The service staff were constantly checking tables and collecting empty plates and glasses. During the cocktail, the customer drinks were served both by themselves and by service personnel. During the cocktail time, food was cooked and served in the kitchen.

After the cocktail: After the cocktail was over, all the dirty dishes and glasses were collected and taken to the dish washing area. Dirty dishes and glasses were started to be washed in the dish washing area. The covers of the tables were gathered. The rest of the drinks on the bar table were brought to storage. Finally, the cocktail area was cleaned.

Interview Findings

In the study, the person who is the owner and manager of the restaurant was interviewed. The first question asked to the manager is to get information about how they prepared cocktails. One more code is added to the four codes obtained from the observations by the answer given by the manager to this question. This code is that making the contract with the customer.

Making the contract with the customer: The first stage is that receiving event request. The manager said "The customer comes here, says how many people come event and we offer them our menus." The manager stated that there are three different menus for cocktail services. Co-decision is reached with the customer after the menus are presented to the customer. The manager confirmed that the price was set at this stage by saying, "After the decision is made, it will be passed on to the negotiation phase." The price per person for each menu is certain but the price is variable if it is added and removed food according to the customer's request. For this reason he stated that it is difficult to get a certain price for cocktail in the business. Asked how they got their cocktail orders, he said, "Cocktail orders should not be over the phone, it must be face to face."

Because they said they signed the contract after the agreement and they took some of the cocktail fee as a deposit. The manager pointed out that the rest of the fee was taken at the end of the cocktail. After observing the purchase, the manager was asked where they were going to buy. When asked about the idea of buying a manager, he said "we just do not stock fruits and vegetables. So we are obligated to buy before every cocktail." When asked how to arrange the staff, the manager said, "We are a la carte restaurant and we are serving the evening menu. For this reason, our chef comes in the evening, but when there is a cocktail, they will be here according to the cocktail hour." He said that the staff's working hours could change according to the cocktail. There are three kitchen staffs and according to the intensity of the cocktail, the number of service personnel has changed. One person is responsible for the dish washing area. When the manager asked the suppliers, he said that the manager himself was going to buy all the stuffs. They purchase all the stuffs from 11 different suppliers.

Conclusions

In this study, five activity centers were identified to enable activity-based costing in cocktail organization in food and beverage business. These are: making the contract with the customer, cocktail preparation, kitchen preparation, cocktail time and after cocktail. Four activity center observation results were obtained. Making the contract with the customer occurred after interview with the manager. There are six transactions in the making the contract with the customer. These; taking the event request, submitting the menus to the customer, deciding the event with the customer, setting the price of the event and getting the event fee. At this stage, a part of price is taken. For this reason, this transaction is also in the after cocktail. Pre-cocktail meeting, determination of suppliers, decision to outsourcing, taking of the needs, storage of the received materials, cleaning of the restaurant, placing table, ornamentation of the tables, cover turnover, organize bar table, bringing in cups and glasses from the kitchen and bringing drinks from storage to bar table are transaction in the cocktail preparation. Processes in kitchen preparation activity include both dish washing area and kitchen. Preparation for cold and hot appetizers, cooking, tanning and preparation of dried nuts and fruits are processes related to the kitchen. Finally, there are six transactions for after cocktail activity. These are: collecting empty spaces from tables, taking vacancies to the kitchen, washing dishes,

organize tables, cleaning the restaurant and getting the rest of fee. Washing of the dishes is the same transactions as cocktail preparations.

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