

BSBPUR301 Purchase Goods and Services - Resource



**BSB30115 Certificate
III in Business**

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COURSE INTRODUCTION

ABOUT THIS GUIDE

This learner guide covers one unit of competency that is part of the BSB30115 Certificate III in Business Training Package:

BSBPUR301B Purchase goods and services

This unit specifies the outcomes required to determine purchasing requirements, and make and receive purchases.

No licensing, legislative, regulatory or certification requirements apply to this unit at the time of endorsement.

This unit applies to individuals who conduct low risk, low expenditure purchasing for an organisation using established and documented purchasing strategies. The unit may be undertaken by someone working in a small organisation who has general responsibility for conducting purchasing within an organisation, or by a purchasing specialist working in a large organisation.

Some judgement may be required to make decisions in the implementation of purchasing strategies and work is generally conducted under the supervision of others.

ABOUT ASSESSMENT

This guide contains a range of learning activities which support you in developing your competence. To apply this knowledge to your assessment you will be required to complete the assessment tools that are included in your program. The assessment is a competency based assessment, which has no pass or fail; you are either competent or not yet competent. This means that you still are in the process of understanding and acquiring the skills and knowledge required to be marked competent.

For valid and reliable assessment of this unit, a range of assessment methods will be used to assess practical skills and knowledge.

Your assessment may be conducted through a combination of the following methods:

- Third-party reports from a supervisor
- Practical demonstration of your skills in a classroom situation
- Projects and assignments
- Portfolio of evidence
- Written or verbal questioning to assess knowledge and understanding of business policies and procedures
- Oral presentation
- A combination of these methods

The assessment tool for this unit should be completed within the specified time period following the delivery of the unit. If you feel you are not yet ready for assessment, discuss this with your trainer.

To be successful in this unit you will need to be able to join you're learning to your work place, this should be achievable for those who are employed and for those who are not yet employed and you will be required to use observations of examples that can take place in a workplace environment.

ELEMENTS AND PERFORMANCE CRITERIA

- | | |
|---|---|
| 1. Understand purchasing and own requirements | 1.1. Read, understand and clarify organisation's purchasing strategies as required |
| | 1.2. Determine own role and limits of authority in consultation with relevant personnel |
| 2. Make purchases | 2.1. Receive purchase specifications from relevant personnel and clarify as required |
| | 2.2. Select purchasing methods most appropriate to particular purchases within limits of own role |
| | 2.3. Obtain approvals for purchases as required |
| | 2.4. Obtain quotations from suppliers as required |
| | 2.5. Select suppliers, place orders and make purchases |
| 3. Receive purchases | 3.1. Receive goods or make arrangements to receive services |
| | 3.2. Advise relevant personnel of receipt of purchase |
| | 3.3. Ensure goods received are checked for compliance with specifications |
| | 3.4. Take action to resolve non-compliance with specifications |
| | 3.5. Facilitate registration of new assets |
| | 3.6. File and store purchase records |

REQUIRED SKILLS AND KNOWLEDGE

This describes the essential knowledge and skills and their level required for this unit.

REQUIRED KNOWLEDGE

- Codes of ethics and conduct
- Identification and overview knowledge of key provisions of relevant legislation from all levels of government that affects business operations, codes of practice and national standards, such as:
 - Consumer protection legislation
 - Contract law
 - Import of goods and services, where relevant
 - Sale of goods legislation
 - Trade practices act
- Organisation policy and procedures relating to:
 - Purchasing strategies
 - Record-keeping systems related to purchasing and assets
 - Standard contracting arrangements
- Product knowledge about the goods and services being supplied
- Purchasing and procurement principles for:
 - Accountability
 - Probity and transparency
 - Risk management
 - Value for money

REQUIRED SKILLS

- Culturally appropriate communication skills to relate to people from diverse backgrounds and people with diverse abilities
- Communication skills to liaise with suppliers and end users of purchases
- Literacy skills to document purchases and write reports on purchasing activities
- Information management and research skills to analyse and assess purchasing options and offers
- Technology skills to use of software to keep records of purchases made
- Data collection skills to keep records related to purchasing

EVIDENCE GUIDE

The evidence guide provides advice on assessment and must be read in conjunction with the performance criteria, required knowledge and skills, the range statement and the assessment guidelines for this Training Package.

Critical aspects for assessment and evidence required to demonstrate competency in this unit

Evidence of the following is essential:

- Obtaining quotes from prospective suppliers for a low risk, low expenditure good to be purchased
- Selection of appropriate purchasing methods for a low risk, low expenditure purchase
- Receipt, checking and documentation of a low risk, low expenditure purchase

Context of and specific resources for assessment

Assessment must ensure:

- Access to an actual workplace or simulated environment
- Access to office equipment and resources
- Organisation's purchasing strategies and relevant purchasing records

Method of assessment

A range of assessment methods should be used to assess practical skills and knowledge. The following examples are appropriate for this unit:

- Analysis of responses to case studies and scenarios
- Assessment of written reports documenting purchasing requirements and records of purchases made
- Direct questioning combined with review of portfolios of evidence and third party workplace reports of on-the-job performance by the candidate
- Observation of obtaining quotes from suppliers
- Oral or written questioning to assess knowledge

- Review testimony from team members, colleagues, supervisors or managers

Guidance information for assessment

Holistic assessment with other units relevant to the industry sector, workplace and job role is recommended, for example:

- Other purchasing units

PRE-REQUISITES

This unit must be assessed after the following pre-requisite unit:

There are no pre-requisites for this unit.

TOPIC 1 – UNDERSTAND PURCHASING AND OWN REQUIREMENTS

READ, UNDERSTAND AND CLARIFY ORGANISATION'S PURCHASING STRATEGIES AS REQUIRED

Organisations will implement purchasing strategies to allow them to make cost effective decisions by purchasing from a group of efficient suppliers that will deliver high quality products and services on time and at mutually agreeable terms.

These purchasing strategies may be utilised to create procurement savings by using centralised purchasing which concentrates the entire purchasing processes within one principal location.



Purchasing strategies may include:

- Criteria for making purchasing decisions
- Legal requirements and policies and procedures that underpin strategies and that are relevant to role
- Policies, procedures, guidelines and documentation formats for purchasing from suppliers including entities owned by the organisation, partners, alliance members and local and distant suppliers

Some companies may decide to undertake a single source procurement strategy which involves obtaining excellent dedicated service from a single supplier. These strategies are predominant when sourcing for indirect purchasing, such as office supplies and cleaning.

Other companies may use a procurement strategy of using a core purchasing cycle. This is where they order from a group of regular suppliers and use outsourcing procurement for their larger and/or ad hoc purchases.

Regardless of the size of the company, there is a core group of purchasing strategies that most of them implement.

Self-Test 1.1

Fill the gaps with words from the list below.

Legal, criteria, policies, procedures, guidelines, suppliers, distant

Purchasing strategies may include:

- for making purchasing decisions
- requirements and and that underpin strategies and that are relevant to role
- Policies, procedures, and documentation formats for purchasing from including entities owned by the organisation, partners, alliance members and local and suppliers

SUPPLIER OPTIMISATION

The business that uses this method will choose an optimum mix of suppliers who can provide the best prices and terms. This process usually means that the less able suppliers who cannot provide a quality service at the terms and prices required are disregarded. This is by far the most common of the various purchasing strategies.

TOTAL QUALITY METHODS

Total Quality Methods requires the suppliers to provide an ever increasing quality service with zero or minimal errors. The supplier ensures purchasing best practices using a number of tools such as six sigma.



Six Sigma is a set of techniques and tools for process improvement developed by Motorola in 1986. Today, it is used in many industrial sectors. Six Sigma seeks to improve the quality of process outputs by identifying and removing the causes of defects (errors) and minimizing variability in manufacturing and business processes. It uses a set of quality management methods, including statistical methods, and creates a special infrastructure of people within the organization ("Champions", "Black Belts", "Green Belts", "Yellow Belts", etc.) who are experts in these methods. Each Six Sigma project carried out within an organization follows a defined sequence of steps and has quantified value targets, for example: reduce process cycle time, reduce pollution, reduce costs, increase customer satisfaction, and increase profits. These are also core to principles of Total Quality Management (TQM).

WHY DO YOU NEED PURCHASING BEST PRACTICES?

You need purchasing best practices because purchasing costs compete with salary costs to be the biggest depletion of a company's profits. Every time you save money on purchasing you are directly contributing to a company's bottom line.

So, how do you define purchasing best practices and ensure that they are adhered to? By ensuring that all staff members understand the strategy and all purchasing staff adhere to it. The types of purchasing strategies that go into purchasing best practices include:

Suppliers

- Choose a good spread of suppliers who can provide you with reliable supplies of quality products at good prices with good terms. Leverage your suppliers against each other so that competitive prices and terms are possible. Keep the supplier information up to date

Contracts

- Provide all major suppliers with a Master Agreement so that they are contracted to supply your products at the prices and terms agreed

Supplier Relationships

- Ensure that good relationships are maintained with your suppliers so that problems can be easily solved and that you take the best advantage of their services. This is one of the key purchasing best practices as happy, well looked after suppliers ensure that purchasing is a relative stress and trouble free activity

Preferred Supplier List

- This should be reviewed and updated on a regular basis

Stock

- Ensure that ordering is only undertaken when the stock needs to be replenished and that the stock is kept at its optimum level

Cost Reduction

- This must be the key to all activities

Deliveries

- Deliveries must be tracked and all goods checked in. Only quality items that are as ordered is to be accepted

Negotiation

- Negotiate hard but fairly so that your suppliers understand your need for keen prices and good terms but still wish to do business with you

Product Information

- Ensure that all product information and prices are current and that complete catalogues are maintained

Staff

- Ensure that all staff members are fully trained and motivated and understand all the business goals

Policies

- Communicate all purchasing policies to relevant staff

Management Information

- Take full advantage of the management information available from the computing system. This information should be used to make the best and most advantageous purchasing decisions

Management

- All management and executives should understand and maintain the purchasing best practices

Centralised

- All purchasing information should be centralized and the purchasing activities centralised as much as possible

Integrated

- Purchasing should be fully integrated with the stock room, warehousing and accounting so that profits are enhanced and a complete financial picture is available

Technology

- Buy and install the best technology that your company can afford in order for your purchasing department to be the best that it can

Incentive

- Provide incentives for all your staff to save money in purchasing

As you can see the above purchasing best practices embrace all of the purchasing activities and should lead to a well-managed, efficient and profitable purchasing department and ultimately a profitable company.

Self-Test 1.2

Total Quality Methods requires the suppliers to provide an ever increasing quality service with minimal errors.

- True
- False

RISK MANAGEMENT

As more companies obtain their supplies from other countries such as China and India, they will become more concerned with the risk management in the supply chain. Whilst these countries can supply products at very advantageous prices, these advantages can be soon negated by a natural or human disaster.



SUPPLIER DEVELOPMENT

Some companies will work hand-in-hand with their suppliers by spending some time in developing processes that will assist their suppliers. There may also be the situation where a company is dependent upon just one supplier for their products which means if the supplier is unable to perform to the required standards, the purchaser may assist the supplier in improving their service or implement processes to improve their procurement cycle.

GREEN PURCHASING

Businesses that use this strategy will prioritise the need for recycling and purchasing products that have a positive impact on the environment, over less environmentally friendly alternatives.¹

Taking all of this information into account, you will need to read up on your own organisation's purchasing strategies for the time when you may be required to purchase the products/services that they procure and implement.

Self-Test 1.3

Businesses that use the green purchasing strategy will prioritise the need for recycling and purchasing products that have a positive impact on the environment, over less environmentally friendly alternatives.

- True
- False

DETERMINE OWN ROLE AND LIMITS OF AUTHORITY IN CONSULTATION WITH RELEVANT PERSONNEL

To be able to perform your job professionally and to a high quality it is important that you know your job responsibilities, work within your position specifications and clarify work instructions where necessary.

Your job role and key responsibilities are usually contained within a Job Description (sometimes called a Position Description, Work Profile or Duty Statement). The job or position description will outline the name of the position, the award classification, the department or area where you will work, the industrial award or agreement, the duties to be completed and the selection criteria, as well as many other things.

The level of authority that you will have whilst purchasing goods and services will be determined by consulting with relevant personnel about the limits that will be enforced. These limits will detail how much control you have over the proceedings and may include:

¹ <http://www.purchasing-procurement-center.com/purchasing-strategies.html>

- Approval processes for purchases
- Expenditure approval limits

The limits that you will be required to work within are determined by relevant personnel who have the authority to create and implement them.

These relevant personnel may include:

- CEOs
- Managers
- Leaders
- Coordinators
- Supervisors
- Other persons authorised to commit the organisation to purchases
- Internal users of purchased goods and services
- Owner
- Board members
- Specialist personnel involved in purchasing, asset maintenance and finance

Self-Test 1.4

Fill the gaps with words from the list below.

Purchasing, authority, consulting, services, enforced

The level of that you will have whilst goods and will be determined by with relevant personnel about the limits that will be

Self-Test 1.5

Your job role and key responsibilities are usually contained within a Workplace Risk Assessment.

- True
 False

TOPIC 2 - MAKE PURCHASES

RECEIVE PURCHASE SPECIFICATIONS FROM RELEVANT PERSONNEL AND CLARIFY AS REQUIRED

WHAT IS A PURCHASE SPECIFICATION

In a procurement context, a specification can be defined as a statement of needs. It defines what the procurer, i.e. your business, wants to buy and, consequently, what the supplier is required to provide.

Specifications can be simple or complex depending on the need and the success of the procurement activity relies on the specification being a true and accurate statement of the buyer's requirements.

Apart from being a means of identifying the goods or services required, a specification will form part of any future contract that might result from offers received.

Advantages:

- 1) When a buyer has to purchase or is required to purchase a particular type of goods from more than one supplier, specifications set the standards and characteristics of the goods or services to be purchased. With set specifications, the materials can be purchased from different suppliers on the basis of specifications only.
- 2) Specifications provide an exact standard to the inspection department of the buyer against incoming materials. This measurement and inspection ensures uniformity in quality of materials purchased.
- 3) Specification buying includes more suppliers to bid because all of them know exactly what is required and they also know what the other suppliers are bidding for. Increased competition can prove very economical to the buyer.
- 4) If the suppliers combine specifications with quality control measures, the buyers don't have to worry too much about the testing or inspecting of the products purchased. In such circumstances buyer's money and time are saved by doing less complete inspections.
- 5) Specifications buying is a necessary step towards industry wide standardisation and standardisation helps a lot in cost saving.

Disadvantages:

- 1) Specifications become inappropriate in case of patented items or items with brand names or items manufactured by patented process. Products from each manufacturer shows slight differences, even though each of them might be designed to provide same type of service e.g. trucks, scooters etc.
- 2) Items purchased to specifications require detailed inspection to decide whether they are in conformity with specifications prescribed or not. This can prove costlier.
- 3) When specifications become very stringent, many problems arise. In case of very stringent specifications, the buyers have to pay more than necessary for the items.
- 4) Specification buying proves economical only in case of large purchases. It is not wise or advisable step to prepare specifications for small purchases.
- 5) When a buyer purchases items as per his / her specifications and if the product does not prove satisfactory even though the supplier has complied with the terms of the purchase the responsibility rests with the buyer for the unsatisfactory performance.
- 6) Once the specifications are fixed, it is in the interest of the buyer to continually review them. If the buyers do not review the specifications regularly, they may be left behind as technology changes.²

Self-Test 2.1

Fill the gaps with words from the list below.

Simple, true, complex, accurate, buyer's

Specifications can be or complex depending on the need and the success of the procurement activity relies on the specification being a and statement of the requirements

TYPES OF SPECIFICATIONS

There are three types of specifications that can be set when setting down criteria for a purchase – functional, performance and technical specifications.

FUNCTIONAL SPECIFICATIONS

Functional specifications define the function/s, duty or role of the goods or services. It nominates what they are broadly required to do as the main focus of specifying requirements for a purchase.

² more at <http://www.citeman.com/7352-advantages-of-specifications-buying.html>

Functional specifications define the task or desired result by focusing on what is to be achieved rather than how it is to be done. They do not describe the method of achieving the intended result. This enables suppliers to provide solutions to defined problems. A typical example is where the buyer sets down what new software has to be able to do rather than how it is to be done.

Self-Test 2.2

Functional specifications for a purchase define the task or desired result by focusing on how things are done.

- True
- False

PERFORMANCE SPECIFICATIONS

These are specifications that define the purpose of the goods or services in terms of how effectively it will perform. Performance is a logical extension of function. Performance specifications define the task or desired result by focussing on what is to be achieved. They do not describe the method of achieving the desired result. This enables suppliers to provide solutions to defined problems.

TECHNICAL SPECIFICATIONS

These are specifications that define the technical and physical characteristics and/or measurements of a product, such as physical aspects (for example, dimensions, colour, and surface finish), design details, material properties, energy requirements, processes, maintenance requirements and operational requirements. They are used when functional and performance characteristics are insufficient to define the requirement. All three types may be combined to form the one specification.³

Self-Test 2.3

Technical specifications for a purchase focus on defining what the product has to achieve.

- True
- False

³ <http://www.hpw.qld.gov.au/SiteCollectionDocuments/ProcurementGuideDevelopingSpecifications.pdf>

The specification for the required product/service will be created by a member of your business who is in need of some product or service. They will create the specification and send it to the procurement department who will receive the document and complete the necessary procedures to process it and send off an order to the supplier.

When a specification is received, it will need to be clarified with the sender to ensure that the information is completely correct.

SELECT PURCHASING METHODS MOST APPROPRIATE TO PARTICULAR PURCHASES WITHIN LIMITS OF OWN ROLE

The requirements of the particular purchase will determine what method you will implement to pay for them. These requirements include the size of the purchase, the urgency of the purchase and how often the purchase is made.

Purchasing methods are the different ways that you can make a purchase and may include:

- Petty cash
- Credit card purchases
- Purchase order
- Direct payment/credit
- Credit/account

Self-Test 2.4

The requirements of the particular purchase will determine what method you will use to pay for them.

- True
- False

PETTY CASH

Petty cash is used for small purchases of singular items. Generally this will be done by a staff member using either their own money or some money from a collective petty cash box. Receipts need to be retained for reimbursement to the employee or for tax reasons for business expenses.



Self-Test 2.5

Petty cash is used for small purchases of singular items. Generally this will be done by:

- A staff member using either their own money or some money from a collective petty cash box
- Getting a payment advance to purchase the item
- The company getting a small loan to purchase the item
- A staff member buying the item with their own money, therefore it becomes theirs

Many businesses will have their own credit card for the majority of their expenses. It is useful for the ability to streamline the procurement process and has many benefits including:

- Greatly reduced paperwork
- One-time vendors do not need to be included in a supplier database
- Saves time
- Allows the business to have a pool of funds for purchases rather than the owner or its employees having to use personal funds

One of the bigger drawing factors though is the ability to access online transactions with the use of a credit card.



Self-Test 2.6

Many businesses will have their own credit card for the majority of their expenses.

- True
- False

PURCHASE ORDER

Purchase orders are required for the largest purchases your business will make.

To use a purchase order you will complete a request form which will provide the details of the order you wish to place. This completed form will then need to be sent to the procurement department of your business where it will be processed into an order and sent off to the supplier.

These are useful for the ability to generate order tracking to allow the person who initiated the order to use a tracking number to plot the progress of their order, as in where it currently is in the shipping process, how much time is left until it arrives etc.

Self-Test 2.7

Fill the gaps with words from the list below.

Form, procurement, supplier, order, request,

To use a purchase order you will complete a which will provide the details of the you wish to place. This completed form will then need to be sent to the department of your business where it will be processed into an order and sent off to the

DIRECT PAYMENT/CREDIT

Direct payment/credit is simply payment from your bank account via the internet into the receiver's account. This method is quick and easy and can be performed from any mobile device. However, it's critical to ensure that the details of the account to which the funds are being transferred are correctly entered.

CREDIT/ACCOUNT

Another way of paying for or purchasing goods is via an account system. Basically this means that you can order and collect purchases for a period of time (usually 1 month) then have an account/invoice sent to you at the months end. You usually have 7-30 days to pay this account.

OBTAIN APPROVALS FOR PURCHASES AS REQUIRED

Your business may require you to obtain approval for the items or services that you purchase. After you make a purchase request you will need to send the request to the relevant personnel who have the authority to approve the order before it becomes processed. This approval eliminates the unauthorised purchase of goods and services.

The orders that you enter might require approval from different persons, based on the department in which you work or the amount of purchases that you want to make.

If you are responsible for approving orders in your workplace you will be able to review all orders that are awaiting approval. This will allow you to select and approve or reject certain orders, providing an explanation as to why.

Larger businesses will have ordering systems that electronically take an order requisition form and send it along an approval route via the specified persons that are required to see and approve it.

The persons who must approve orders might differ based on the department in which you work, the items you are purchasing, and so forth. Larger businesses can have multiple approval routes, each of which consists of a different group of persons. If a person assigned to multiple approval routes leaves the company or goes on vacation, you can transfer approval authority to another person.

For example, you set up a system that takes order forms and emails them to a specific person in the company depending on the amount that is being spent.

Order price amount	Approval person
≤\$100	Department Supervisor
≤\$1000	Manager of Business
>\$1000	Business Owner

If the above table set the purchasing limits for a business, then if you make an order request that totals \$100 or less than only the department supervisor would need to approve it. However, as you move further up the price range, more people will become

involved, as each approval person will need to inspect the order and pass it on to the higher level for further approval, as required.

This example is a very basic representation of an approval route, some businesses will have many, many people involved in a single order, whereas others will not use this system at all.

Self-Test 2.8

Businesses usually don't require you to obtain approval for the items or services that you purchase.

- True
- False

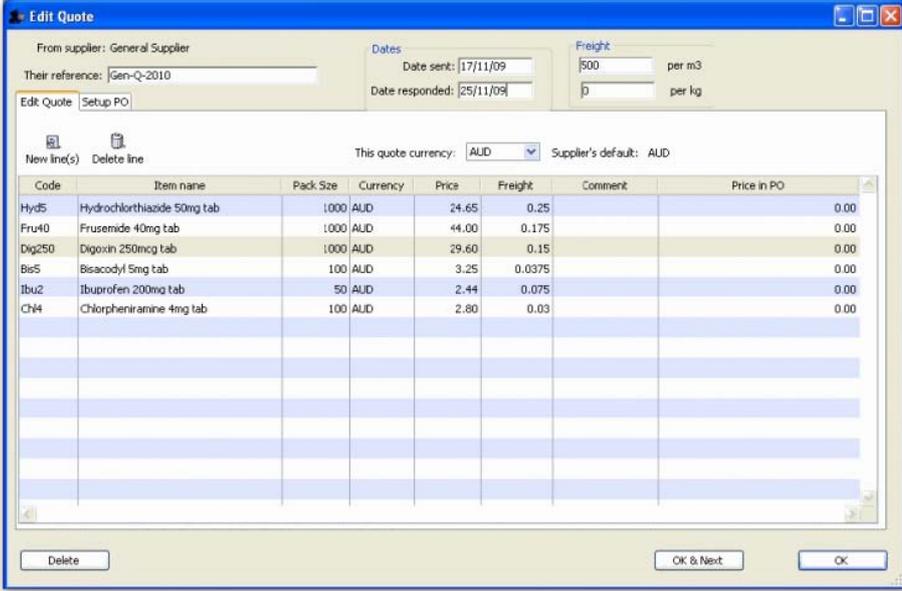
Self-Test 2.9

Orders placed by a business should only go ahead when they have been approved.

- True
- False

OBTAIN QUOTATIONS FROM SUPPLIERS AS REQUIRED

It is recommended that you get quotations from your recommended suppliers list before making any purchase.



The screenshot shows a software window titled "Edit Quote" with a blue title bar. The window contains several fields and a table. At the top, it says "From supplier: General Supplier". There are fields for "Their reference: Gen-Q-2010", "Date sent: 17/11/09", "Date responded: 25/11/09", and "Freight" with sub-fields for "500 per m3" and "p per kg". Below these are buttons for "Edit Quote" and "Setup PO". A section for "New line(s)" and "Delete line" is present, along with a dropdown for "This quote currency: AUD" and "Supplier's default: AUD". The main part of the window is a table with the following data:

Code	Item name	Pack Size	Currency	Price	Freight	Comment	Price in PO
Hyd5	Hydrochlorothiazide 50mg tab	1000	AUD	24.65	0.25		0.00
Fru40	Frusemide 40mg tab	1000	AUD	44.00	0.175		0.00
Dig250	Digoxin 250mcg tab	1000	AUD	29.60	0.15		0.00
Be5	Bisacodyl 5mg tab	100	AUD	3.25	0.0375		0.00
Ibu2	Ibuprofen 200mg tab	50	AUD	2.44	0.075		0.00
CH4	Chlorpheniramine 4mg tab	100	AUD	2.80	0.03		0.00

At the bottom of the window are buttons for "Delete", "OK & Next", and "OK".

Self-Test 2.10

Before making any purchase, it is recommended that you get quotations from:

- Your recommended suppliers list
- Your organisation administration officer
- Google search
- Yellow pages

When obtaining quotes it is best practice to make certain that all quotes that you receive from your suppliers are in writing to have evidence of what they quoted you in case complications arise between the business and the supplier.

There are certain criteria that should be included in a quote including:

- Reliability
- Quality
- Value
- Financial security

These criteria will also be outlined in the supplier's terms and conditions.

While a supplier might give you a quote for the cost of a product or materials, be sure to ask about other fees. For example, will you have to pay delivery fees, fuel surcharges or restocking charges for returns?

Self-Test 2.11

There are certain criteria that should be included in a quote including

- Reliability, Quality, Value, Financial security
- Quality, value, Financial security benefits
- Value, benefits,
- Financial security

SELECT SUPPLIERS, PLACE ORDERS AND MAKE PURCHASES

The final stage in applying for an order is to actually follow through and place the order.

This is done after all other steps have been completed, meaning that you will have selected the right supplier based on of their quotes, had your order approved and ready to be sent to the procurement department, or straight to the supplier, and the purchasing method decided.

Imagine that you are in charge of ordering 10 boxes of chips. You have been given all of the quotes, and your organisation needs them within 2 days. The quotes are as follows:

SUPPLIER	PRODUCT	COST	INFO ABOUT SUPPLIER	AVAILABILITY
Company A	Chips	\$30.00	Have never ordered from this company before.	Has 15 boxes available for immediate delivery
Company B	Chips	\$26.50	Poor delivery times, grumpy and rude driver, often damaged goods	Can supply 5 today and 5 tomorrow
Company C	Chips	\$31.00	Usually overpriced however exceptional	Has more than enough to

			service and quality.	supply immediately
Company D	Chips	\$28.00	No issues experience as yet	Can supply the 10 boxes tomorrow afternoon

Have a think about the options at hand. There are a few standout pieces of information, like **Company B's** low price but according to the note poor service. The other 3 are looking good though. The correct choice in this instance would be **Company D** as they can deliver within the time frame and have a good reputation while their price is also low. If you needed the chips immediately the other 2 would be great choices.

Remember that if you are unsure about making any financial choices like purchasing or ordering or it is not part of your responsibility you should ask your manager or supervisor to either help or take over for you. As an employee you should act within your scope of responsibility and knowledge.

You will need to order your products according to the companies preferred methods. This could be online, phone, fax, or email.

They may have preferred order forms that need to be completed or they may just require each product on an email etc... You will need to know and understand the preferred methods prior to ordering or it may hold up the delivery of any products you have purchased.

Self-Test 2.12

The final stage in applying for an order is to actually follow through and place the order.

- True
- False

TOPIC 3 - RECEIVE PURCHASES

RECEIVE GOODS OR MAKE ARRANGEMENTS TO RECEIVE SERVICES

When the products arrive, they may be stored in plastic containers, cardboard cartons, wooden crates or other packaging. Some merchandise may be on hangers, other items may be on pallets. The procedures for unpacking each item will vary depending on what the product is, how it is packed etc.



Keep in mind that the receiving area is designed to receive, not store merchandise. As such, all items that have been received will need to be moved out of the receiving area and to the storage areas as required.

Begin receiving purchases by:

- Confirming the number of cartons/ items match the quantity on the purchase invoice
- Examining the containers for signs of damage, including leaks, tears or broken seals
- Verify the weight, if necessary, matches the amount charged
- If possible, complete these checks before you sign the delivery receipt

After having received your purchase you will need to proceed to checking the product to ensure the goods are on par with their determined specifications. With purchased services you will need to perform these checks during, and after, the service process.

Self-Test 3.1

When the products arrive, you should (select all statements that are correct):

- Confirm the number of cartons/ items match the quantity on the purchase invoice
- Sign the delivery receipt quickly to save the delivery driver's time
- Examine the containers for signs of damage, including leaks, tears or broken seals
- Verify the weight, if necessary, matches the amount charged
- If possible, complete these checks before you sign the delivery receipt

It's important to fully check delivered products upon receiving them:

- True
- False

ADVISE RELEVANT PERSONNEL OF RECEIPT OF PURCHASE

If you are unable to personally receive your purchase, then you will have to organise with the relevant personnel in your organisation to receive and check your purchase for you. Depending on the size of your business this will involve either getting the receiving department to process it or another member of your work team to do so.

It will be easier to organise with the personnel to take delivery of the purchase if you have predetermined the delivery date with the supplier. It would also be advisable to provide your staff member, who is to receive the purchase, with the invoice prior to the delivery to allow them to have the maximum amount of information regarding your order, thus allowing them to effectively receive and process the order.

Self-Test 3.3

It will be harder to organise with the personnel to receive the purchase if you have predetermined the delivery date with the supplier.

- True
- False

ENSURE GOODS RECEIVED ARE CHECKED FOR COMPLIANCE WITH SPECIFICATIONS

The person or department receiving the order of goods or services will need to inspect them and compare their findings with the specifications that are detailed on the invoice. This is an important step as any issues that are found need to be resolved as soon as possible.



The optimal time to perform these checks is when the supplier has delivered the goods and before you sign for them. By performing the checks like this it will allow the recipient to find any discrepancies and report them directly to the supplier, and take

action as required. Your business is responsible for the entire shipment, as-is, once the receipt for goods is signed.

The person receiving shipments should conduct an inspection to verify the following minimum conditions:

- The products conform to the purchase order requirements and other relevant documents (for example: correct model number, description, size, type, colour, etc.)
- The quantity ordered against the quantity shipped or delivered
- There is no damage or breakage
- The unit of measurement count is correct (e.g. if the unit of measurement on the purchase order is one dozen, there should be 12 in the package)
- Delivery documentation (packing list, certifications, etc.) is acceptable
- Perishable items are in good condition and expiration dates have not been exceeded
- Products are operable or functional
- The prices of each item add up to the total⁴

If any aspect of the order is not compliant with specifications then action will need to be taken to resolve it.

It is important to remember that complying with a purchasing specification simply means:

- Supplying the products ordered
- Delivering the service as outlined in the specification

The receiving employee must check the following, prior to the product(s) being booked into stock.

- **Product codes** – Make sure that you check the product codes of all the goods received are the same as those ordered. This may be a physical check against the order document or product specification, or using electronic methods such as scanning bar codes
- **Quantities** – Check that the quantity of each product received matches the quantities that have been ordered



⁴ <http://www.york.cuny.edu/administrative/business-office/purchasing/policy-and-procedures-for-the-receipt-of-purchased-goods>

- **Condition** – Make sure you conduct a visual check of all products for any damage. For some high value, technological products, there may be a testing procedure. Your organisations will have policies and procedures which specify these testing procedures. Any specific changes to a standard product that you have requested are verified, and check to make sure that these have been made
- **Time sheet** – For services, it may be more appropriate to check the time spent on the assigned job. This should be the same as or less than the original quote. If you find that the number of hours claimed for the service is higher than quoted, make sure that you verify why these extra hours have been claimed, and that you secure any necessary approvals

Some errors in large, complex shipments are reasonable. However, if a supplier routinely supplies incorrect goods, or the services provided do not meet the requirements, then the receiving area should notify the buyer, so that they can address the concern with the supplier. In some organisations with a decentralised purchasing model, this may be the same person. Where purchasing is centralised, however, it's important to alert the buyer or purchasing officer of these kinds of concerns.

Self-Test 3.4

The receiving employee must check the following, prior to the product(s) being booked into stock.

- Product
- Quantities
- Condition
- All the above

Self-Test 3.5

It is important to remember that complying with a purchasing specification simply means:

- Supplying the products ordered
- Delivering the service as outlined in the specification
- All of the above
- None of the above

TAKE ACTION TO RESOLVE NON-COMPLIANCE WITH SPECIFICATIONS

DAMAGED GOODS

When your business receives an order and it has been checked as much as possible whilst the delivery person waits (if they are in a hurry only sign the delivery note if you can also write "unchecked") and you discover any damaged goods, you have two options:

- Refuse the delivery
- Accept the delivery, make the delivery person aware and sign for the goods clearly writing "damaged" on the delivery paperwork

In both situations you should contact your supplier immediately, or someone who is able to do so, and report the problem. You should also make the delivery person aware of the damage. However the seller is responsible for dealing with the problem and has a contractual responsibility to supply you with goods which are of satisfactory quality.

Self-Test 3.6

When receiving products that are damaged you should

- Refuse the delivery, and/or
- Accept the delivery while making the delivery person aware of the problem and sign for the goods clearly writing "damaged" on the delivery paperwork

- True
 False

QUANTITY ISSUES

It is difficult if you are taking a delivery of large quantities of small items, such as 5000 pens as an example, to ensure that you do indeed have the correct number. It is recommended that you sign the delivery note "Unchecked" as the delivery person will not want to wait around all day whilst you count pens, but it also gives you the opportunity to determine if the incorrect quantity has been delivered at your own pace.

The law allows purchasers "A reasonable amount of time" to check deliveries and report faults. It is therefore imperative that deliveries are fully checked as soon as possible. Any discrepancies, no matter how minor, should be reported immediately to the supplier.

If you have received above the amount you ordered, contact the supplier and arrange for them to collect the extra items. The supplier may, however, offer to let you keep these items free of charge, especially if they are of a low value. They may also offer to sell you the extra product, often with the promise of a deferred invoice. You are under no obligation to accept either offer. The choice is up to the supplier's discretion.

If you have received fewer products than the amount you ordered:

1. You may cancel the remaining order only if you inform the supplier immediately that the remaining quantity is no longer of use to you due to the delay
2. You may ask the supplier to deliver the missing items at your convenience
3. You may reject and cancel the part order and inform the supplier that the full quantity is required

If the goods supplied do not match your purchase order:

1. You may reject the delivery and cancel all future deliveries (assuming this is your first instalment of a recurring order)
2. You may reject the delivery and request a re-delivery within a reasonable amount of time
3. You may accept the goods

Self-Test 3.7

If you receive more than the amount you ordered, you should contact the supplier and arrange for them to collect the extra items.

- True
 False

FACILITATE REGISTRATION OF NEW ASSETS

DEFINITION OF AN ASSET

Assets are defined as items that have service potential or future economic benefits controlled by the entity as a result of past transactions or other past events. In other words an asset is an item of economic value owned by a company that can be easily converted to cash. Examples would be inventory, accounts receivable, and fixed assets to name a few.

You will usually be required to enter new equipment/assets into an assets register. For the purposes of recording on the asset register, an asset is deemed to be the whole functioning unit. This means that for items such as computers, this will include the screen, keyboard and CPU.

When facilitating the registration of new assets it is important that you follow your organisation's policies and procedures. Remember that each organisation will have a different way of facilitating the recording of new assets.

Plant and equipment is an example of an asset account on a company's balance sheet.

Once these have been entered on to the register they then become part of the accounting information for depreciation purposes.

Self-Test 3.8

Check the items below that can be considered assets.

- Company car
- Coffee/tea
- Computer
- All the above

FILE AND STORE PURCHASE RECORDS

Purchase records need to be kept for the following reasons:

- Account keeping
- Taxation
- Delivery proof
- Recalling prices

ACCOUNT KEEPING

All invoices need to be kept so that your accounts department can pay the suppliers. Without payment, suppliers will cease to supply to you. The invoice given to you on delivery is the record that your accounts department will need in order to know how

much to pay and when to pay your suppliers. You will generally have a folder or area in which to place all of these invoices.

TAXATION

Many goods and services are tax deductible for a company and the invoices and delivery dockets are proof of purchase so that your organisation can claim the purchases on tax.

DELIVERY PROOF

Purchase records are also a reference for anyone wanting to know when a delivery was made or an item was purchased. This can be handy if discrepancies are found with the items delivered. For example; a block of cheese that was ordered 2 days ago is out of date and mouldy. This shouldn't have happened and if you have a record of delivery you can show the supplier that the product was received 2 days ago and is already off, so that your supplier can replace it (they will often do this on good faith but it's always good to have proof).

RECALLING PRICES

Purchase records are also good for recall on prices of items you have purchased previously. This can be handy for negotiation purposes and for price discrepancies on invoices in the future.

It is important that all original copies of:

- Purchase orders
- Corresponding requisitions
- Confirmations
- Change orders
- Change order confirmations
- Cancellation requests
- Cancellation confirmations
- And other relevant information related to a purchase order within you organisations should be filed and managed by the designated staff member

Purchase records may include:

- Corporate credit card transaction
- Invoices, statements and payment requests
- Petty cash vouchers
- Purchase requests and orders
- Receipt advices for goods and services
- Records of supplier performance

These records must be stored as per your organisation and legislative requirements and policies.



Self-Test 3.9

Invoices do much more than provide an account to be paid. They are used for taxation purposes and proof of delivery.

- True
- False

Self-Test 3.10

Purchase records may include:

- Corporate credit card transaction
- Invoices, statements and payment requests
- Petty cash vouchers
- Purchase requests and orders
- Receipt advices for goods and services
- Records of supplier performance
- All the above

SUMMARY

Now that you have completed this unit, you should have the skills and knowledge required to determine purchasing requirements, and make and receive purchases.

If you have any questions about this resource please ask your trainer. They will be only too happy to assist you when required.

REFERENCES

<http://www.purchasing-procurement-center.com/purchasing-strategies.html>

<http://www.citeman.com/7352-advantages-of-specifications-buying.html>

<http://www.hpw.qld.gov.au/SiteCollectionDocuments/ProcurementGuideDevelopingSpecifications.pdf>

<http://www.york.cuny.edu/administrative/business-office/purchasing/policy-and-procedures-for-the-receipt-of-purchased-goods>

http://www.utas.edu.au/_data/assets/pdf_file/0015/214710/Acquisition_Recording_and_Control1.pdf