BSBPUR301
Purchase goods and services
Release 1

Learner guide

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Aspire Version 1.1

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BSBPUR301 Purchase goods and services Release 1

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Contents

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Before you begin

This learner guide is based on the unit of competency *BSBPUR301 Purchase goods and services*, Release 1. Your trainer or training organisation must give you information about this unit of competency as part of your training program. You can access the unit of competency and assessment requirements at: www.training.gov.au.

How to work through this learner guide

This learner guide contains a number of features that will assist you in your learning. Your trainer will advise which parts of the learner guide you need to read, and which practice tasks and learning checkpoints you need to complete. The features of this learner guide are detailed in the following table.

Feature of the learner guide	How you can use each feature
Learning content	Read each topic in this learner guide. If you come across content that is confusing, make a note and discuss it with your trainer. Your trainer is in the best position to offer assistance. It is very important that you take on some of the responsibility for the learning you will undertake.
Examples and case studies	Examples of completed documents that may be used in a workplace are included in this learner guide. You can use these examples as models to help you complete practice tasks and learning checkpoints Case studies highlight learning points and provide realistic examples of workplace situations.
Practice tasks	Practice tasks give you the opportunity to put your skills and knowledge into action. Your trainer will tell you which practice tasks to complete.
Video clips	Where QR codes appear, learners can use smartphones and other devices to access video clips relating to the content. For information about how to download a QR reader app or accessing video on your device, please visit our website: www.aspirelr.com.au/help
Summary	Key learning points are provided at the end of each topic.
Learning checkpoints	There is a learning checkpoint at the end of each topic. Your trainer will tell you which learning checkpoints to complete. These checkpoints give you an opportunity to check your progress and apply the skills and knowledge you have learnt.

Foundation skills

As you complete learning using this guide, you will be developing the foundation skills relevant for this unit. Foundation skills are the language, literacy and numeracy (LLN) skills and the employability skills required for participation in modern workplaces and contemporary life.

The following table outlines specific foundation skills noted for your learning in this learner guide.

Foundation skill area	Foundation skill description
Reading	• Gathers and interprets a range of textual information to identify relevant key information
Writing	• Creates everyday workplace documentation l using terminology and format relevant to audience and purpose
Oral communication	• Uses suitable language to liaise with suppliers and clarify information within the organisation • Uses active questioning and listening techniques to confirm requirements
Numeracy	• Interprets simple numerical data and makes basic calculations to determine costs of goods and services
Navigate the world of work	• Adheres to organisational procedures and policies • Understands how own role connects with others and contributes to broader work goals
Interact with others	• Selects from a small range of communication modes, forms and channels to meet a specific purpose within the immediate work environment • Seeks to cooperate with others to achieve results in immediate work context
Get the work done	• Takes responsibility for planning, sequencing and prioritising tasks for efficient and effective outcomes • Responds to predictable routine problems and implements standard or logical solutions • Uses the main features and functions of digital tools to complete work tasks

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What do you already know?

Use the following table to identify what you may already know. This may assist you to work out what to focus on in your learning.

Topic	Key outcome	Rate your confidence in each section
Topic 1 Understand purchasing and own requirements	1A Understand the organisation's purchasing strategies	❑ Confident ❑ Basic understanding ❑ Not confident
	1B Clarify purchasing authority with relevant personnel	❑ Confident ❑ Basic understanding ❑ Not confident
Topic 2 Make purchases	2A Receive purchasing specifications	❑ Confident ❑ Basic understanding ❑ Not confident
	2B Select appropriate purchasing methods	❑ Confident ❑ Basic understanding ❑ Not confident
	2C Obtain approvals for purchases	❑ Confident ❑ Basic understanding ❑ Not confident
	2D Get quotes from suppliers	❑ Confident ❑ Basic understanding ❑ Not confident
	2E Select suppliers, place orders and make purchases	❑ Confident ❑ Basic understanding ❑ Not confident

Topic	Key outcome	Rate your confidence in each section
Topic 3 Receive purchases	3A Receive goods and services	❑ Confident ❑ Basic understanding ❑ Not confident
	3B Advise relevant personnel when purchases are received	❑ Confident ❑ Basic understanding ❑ Not confident
	3C Check goods comply with specifications	❑ Confident ❑ Basic understanding ❑ Not confident
	3D Take action to fix noncompliance	❑ Confident ❑ Basic understanding ❑ Not confident
	3E Facilitate registration of new assets	❑ Confident ❑ Basic understanding ❑ Not confident
	3F File and store purchasing record	❑ Confident ❑ Basic understanding ❑ Not confident

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Topic 1
Understand purchasing and own requirements

Spending money on an organisation's behalf is a significant responsibility. Most organisations have purchasing strategies, policies and procedures to guide employees on how to make purchases responsibly and apply appropriate levels of approval. These policies and procedures also help ensure that the organisation meets all its legal obligations.

As someone who makes purchases in their job, it is important that you clearly understand what you may approve and what needs further approval from higher levels of management. You should also clearly understand the responsibilities of any dedicated purchasing personnel and how you should work with them to ensure that you get the most appropriate products and services for your requirements at the best price.

In this topic you will learn how to:

1A Understand the organisation's purchasing strategies

1B Clarify purchasing authority with relevant personnel

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1A Understand the organisation's purchasing strategies

Businesses make strategies or plans to help guide their daily decisions because they understand the importance of making good purchasing decisions. These are long-term, high-level plans that provide a framework against which everyday purchasing decisions are made.

A purchasing strategy lays out overall objectives relating to purchasing in that organisation and its objectives are often related to other business objectives. For example, if a key objective for the business is to increase profit margins, then there may be a purchasing strategy to achieve lower costs.

Purchasing decisions are usually made by comparing alternative products or services against a list of criteria, such as price, quality, service levels, reliability, efficiency, environmental performance or any of a number of things that are important to the organisation. Defining a purchasing strategy affects which criteria the buyer measures against and what priority each criterion is given.

For example, a manufacturer may want to increase local content in its products as a key part of its purchasing strategy. This may be to comply with legislation requiring a minimum amount of local content or for marketing reasons. To fulfil this strategy, buyers in the organisation will adjust their selection criteria to list the source of the content as a high-priority criterion.

Implement purchasing strategies

After an organisation has developed purchasing strategies, it is necessary to put these into practice. What will they look like when it comes time to change the way goods and services are purchased?

Here are examples of purchasing strategies an organisation can adopt, so that it can achieve its business objectives.

Reduce suppliers strategy
Why and how • Business objectives: to exchange increased business for lower costs and improved conditions and service; to reduce administrative costs of managing a large number of suppliers with relatively small amounts of business. • Purchase office supplies from only one supplier, not five. The volume from that one supplier is increased and it may now offer discounts and more frequent deliveries in exchange for the increase in business.

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Bulk purchase strategy
Why and how • Business objectives: to lower costs and ensure consistent supply levels; to reduce processing costs and packaging waste from ordering and receiving smaller quantities. • Purchasing paper by the ream instead of by the packet achieves a cost saving for the organisation and also reduces the number of invoices and deliveries to be processed.

Sustainability strategy
Why and how • Business objectives: to promote an ecologically sustainable brand and meet the objectives of the organisation's environmental policy. • Use packaging made from recycled materials and work with suppliers to make deliveries using reusable packaging; for example, pallets.

More purchasing strategies

Here are more examples of purchasing strategies an organisation can adopt, so that it can achieve business objectives.

Buying local strategy
Why and how • Business objectives: to meet legislation for minimum local content requirements and to promote a locally made product. • Choose a local product over a comparable imported one.

Reducing cost strategy
Why and how • Business objectives: to achieve profit margin objectives and to reduce overall cost base. • Work with suppliers to reduce cost. • Make cost a key selection criterion.

Ethical purchasing strategy
Why and how • Business objectives: to satisfy moral requirements and promote an ethically responsible organisation. • Choose to buy fair trade coffee.

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Preferred supplier strategy
Why and how • Business objectives: to only purchase from suppliers who satisfy minimum quality requirements and to simplify smaller purchasing decisions made by non-purchasing personnel. • Purchasing team identifies a range of preferred suppliers from whom agreed products can be purchased without sourcing competitive quotations.

Certified supplier strategy
Why and how • Business objectives: to ensure minimal disruption to the production process. • Only use suppliers who have met specified quality requirements.

Apply purchasing strategies

An organisation may have an overall purchasing strategy, such as reducing the total number of suppliers or reducing total cost, but there may be times when an organisation needs to make an exception to its core strategy to satisfy a particular purchasing need.

Here is more about applying purchasing strategies.

Exemptions may be justified

Even if an organisation has a policy of using the lowest cost alternative product to meet the purchasing strategy, the buyer may seek approval for an exemption if the cheapest alternative will not meet the quality requirements. In most organisations, exemptions from the strategy generally require specific approval.

Different strategies for different goods

An organisation may generally adopt a low-cost purchasing strategy for products it considers have a low impact on the organisation, such as office or kitchen supplies. However, it may decide only to use suppliers who have an external quality certification, such as ISO 9001, that governs their business practices for inputs to the production process, even if this makes the products more expensive.

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Purchases are made by different staff

Staff have different skills and responsibilities; for example, office administrators may order office supplies, but be unfamiliar with the procedures for ordering other kinds of items. Also, less definition may be required for low-cost products such as kitchen supplies, while more expensive products, such as new office equipment, are still purchased according to the overall purchasing strategy.

Selection criteria

Buyers generally use a range of selection criteria to choose the most appropriate product or service to meet their requirements. These can vary widely, depending on the product or service being selected and the nature of the organisation.

Here are examples of some of the most common purchasing criteria.

Price

This is usually a key selection criterion, although not necessarily the primary criterion, in purchasing decisions. When comparing alternative products, it is important to compare price on an equivalent basis; for example, comparing hourly rates for services or price per litre for petrol.

Service levels

These may include support for the product after purchase; for example, whether any maintenance or service is included in the purchase of office equipment. A product that includes services can appear more expensive, but may not be if the cost of the same number of services is added to the alternative products.

Quality

How this is measured will vary by product and service. Ensure that when you are comparing alternatives, you find a measure of quality that is consistent across all of them.

Reliability

This criterion may be based on suppliers' reputations or experience.

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More selection criteria

Here are some more common selection criteria for purchasing decisions.

Efficiency
This is related to the operating costs of the product. For example, it may be worth paying more for an air conditioner that uses substantially less power, as this may save the organisation money in the long term. Equally, it may be worth paying a higher hourly rate for a professional or tradesperson if their experience means they will complete the job more quickly than a less experienced alternative.

Environmental impact
Some organisations have an environmental policy that guides their purchasing decisions. This may mean that they prioritise products or services from organisations that have established environmental credentials or products that are made using sustainable materials.

Warranty
Different suppliers may offer different warranty conditions. Depending on the product and the warranty, a buyer may choose a product that has a longer warranty over a cheaper alternative with a shorter warranty.

Supplier partnerships

Some organisations seek to develop supplier partnerships. Supplier partnerships are generally long-term arrangements that aim to develop a relationship that benefits both the organisation and the supplier.

A key idea behind supplier partnerships is that, if the supplier has confidence that they will be doing business with the organisation in the long term, they are likely to act differently than if they only held a short-term contract.

Supplier partnerships depend on mutual good faith to continue. Sometimes a supplier feels complacent that they will continue to win business from an organisation and so may not offer such good terms or may not initiate development. Equally, some organisations exert undue pressure on their suppliers because they know the suppliers are dependent on their business for survival and so they push for unfairly low prices.

Benefits of supplier partnerships

Supplier partnerships can benefit the supplier, by giving them more business, and the organisation, by increasing the supplier's willingness to invest on their behalf.

These kinds of relationships tend to be most effective where there is a need for ongoing supply, even though the requirements may vary from time to time.

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Here are some examples of benefits of undertaking supplier partnerships of different lengths for varied lengths of time.

May be extended

Imagine a supplier is providing video cards for a computer manufacturer. They have a 6-month contract, but the manufacturer is planning to produce that model of computer for at least 18 months. If the supplier had the contract for the expected life cycle of the computer, they would be inclined to offer better pricing to the manufacturer, because they could spread their development costs over a larger volume of cards.

Some organisations have even longer term relationships with their suppliers. To continue with the computer example, the manufacturer may have an agreement with the supplier that, subject to certain conditions, it will use the supplier's video cards for future models as well.

May be expanded

Another benefit of having a long-term relationship is that the manufacturer may be more successful in persuading the supplier to participate in some of its other programs.

For example, some manufacturers use a just-in-time delivery method, which requires the supplier to make frequent deliveries, often on customised pallets. This can save both organisations a substantial amount in terms of inventory and other costs, but initial investment and training costs are high. Supplier partnerships encourage participation in these kinds of initiatives.

Understand your responsibilities

Being responsible for purchasing products and services for your organisation brings with it other responsibilities as well. Your organisation may have specific purchasing guidelines. Check with your supervisor and, if it does, make sure you are familiar with these and follow them. Organisational requirements need to be taken into consideration.

Organisational requirements may include:

- code of ethics
- legal responsibilities: contract law, import requirements and sale of goods legislation
- your workplace responsibilities.

Code of ethics

Your organisation may have a purchasing code of ethics or an integrity policy that clearly outlines your responsibilities. These codes or policies govern what is acceptable between you and a supplier.

Some suppliers offer gifts and entertainment to thank you for your business. There are occasions when it is suitable for you to accept these gifts. For example, you may be presented with a diary or calendar at Christmas or you may be asked out to lunch.

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Here are several factors to consider when you are deciding whether to accept a gift or invitation.

Value of the gift

If a gift is worth more than $50, check with your supervisor whether you may accept it. If not, you can either return it to the supplier or arrange for it to be donated to charity if you think your refusal may offend the supplier.

Nature of the gift

You may not feel comfortable accepting personal gifts from a supplier. Some organisations do not allow employees to accept alcohol. Organisations may be more inclined to allow employees to accept gifts that are marked with the supplier's logo.

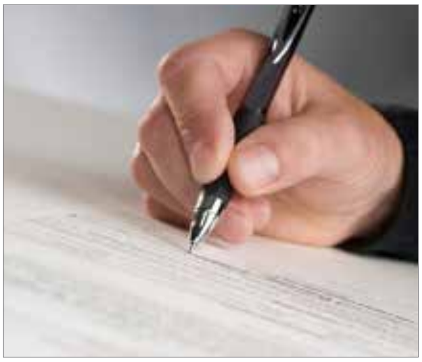
Nature of the invitation

If a supplier representative is also attending a function, then it is generally acceptable for you to attend. Some organisations limit the number of invitations you may accept from a supplier within a given period; for example, one per quarter.

Supplier motivation

If you believe that the supplier may expect you to favour them over a competitor in a purchasing decision as a result of the gift or invitation, or to offer more favourable terms, then it is better to decline. The most important thing is to remain objective in your purchasing decisions.

Confirm intentions



It is important that you never solicit or ask for gifts or invitations from a supplier. You should not request something from a supplier that would not be available to other employees in your organisation. If you are ever concerned that there could be a misunderstanding about whether you have accepted something, or your reasons for accepting something, then it is best to confirm your intentions in writing.

Most organisations take their code of ethics very seriously. Breaches can result in disciplinary action. If you are ever in doubt, then advise your supervisor or human resources representative of any gifts or invitations you have been offered or received.

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Contract law

Depending on the nature of the agreement with the supplier, they may have either a full contract or just a simple purchase order with your organisation. All of these agreements are bound by contract law. Contract law binds all parties who have signed a document to the terms within it. You should ensure that you are familiar with the details of an agreement with a supplier, to make sure you are acting in line with this agreement.

If you are negotiating terms with a supplier, then it is best to ask someone familiar with these requirements to review the agreement before a representative from each organisation signs it.

One law that governs most areas of business is the *Competition and Consumer Act 2010* (Cth). This Commonwealth law covers dealings with suppliers and unfair market practices. You are not expected to be an expert in this legislation, but you should be aware that it prohibits several key behaviours. Some breaches of the Act can result in individuals being charged, not just organisations, so you should seek advice if you have any concerns.

Competition and Consumer Act 2010 (Cth)

If you regularly deal with suppliers or regularly prepare advertising material, speak to your supervisor about appropriate training.

Here are very general outlines of specific provisions under the *Competition and Consumer Act 2010* (Cth).

Consumer protection

Organisations must provide accurate product safety information, honour their warranties without having unreasonable conditions attached and accept liability for injury or damage deemed to have been caused by their product or service.

Competitive practices

Organisations must not act in any way that may be deemed to reduce competition. For example, they must not agree with their competitors to set a higher price or collectively agree to boycott a third party. They must not require a customer to make a purchase from another organisation.

Other laws

Depending on the nature of your business, other legislation may also be relevant to your organisation.

When the Competition and Consumer Act was introduced, one of its intentions was to harmonise state and territory laws, but the consumer warranties and the conditions in the sale of goods legislation, all designed to protect consumers, still apply.

Here is further information about the sale of goods legislation and import requirements.

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Import requirements

You may be purchasing products that come from overseas. Depending on the source of the goods, there are different customs requirements. They may also be subject to tariffs or other charges. When dealing with these products, be sure you understand what the total landed cost, or final cost, to your organisation is, including piece price, freight, insurance and import charges.

Sale of goods legislation

Each state and territory has a sale of goods Act, which requires organisations to provide goods and services that are fit for sale and as described in the purchase agreement. These Acts also govern how organisations should deal with errors such as incorrect quantities being delivered, and any rights of return or exchange. In general, they require organisations to act reasonably within the terms of their agreement.

Workplace responsibilities

Most purchasing strategies are accompanied by workplace policies and procedures that contain the specific information you need to make purchases for your organisation. Your organisation may have a procurement policy or a general purchasing policy with formulated terms and conditions for purchases and sales of goods and services.

You should familiarise yourself with these terms and conditions if you regularly purchase goods or services for your organisation. There may be times when you need to agree on specific exceptions to these conditions. If so, ensure you gain the appropriate approvals.

Standard terms and conditions may include:

- delivery requirements
- invoicing arrangements
- information on notice periods for changing quantities
- information on notice periods for receiving damaged or faulty goods
- other conditions.

Manual of authorities

Most organisations have an approvals process that is required for expenditure. Depending on your job function, you may have a particular amount that you can spend without further approval. Each level of seniority may have a progressively higher approval level.

Generally, the more expensive an item, the more senior the approver needs to be. Make sure you understand what you are authorised to spend before approving any purchase. Your authority level for a new purchase order may be different from the level for making changes to an existing purchase order.

You should also make sure a purchase is fully approved before you give the supplier the authority to commence work.

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Competitive quotations

You may be required to source two or more competitive quotations as part of the approvals process for any purchase. If this is a requirement in your organisation, you are usually required to circulate these quotes and the reason for your recommendation of one of them along with the approvals documentation. This ensures that the person authorising the expenditure understands your rationale.

If, for some reason, you are not providing competitive quotes when this is normally required, you should provide a justification for this with the approvals documents.

Record-keeping requirements

Workplace procedures usually govern how documents relating to purchases are to be kept.

Here are examples of key documents that you would usually be expected to file.

Purchasing records and record-keeping requirements
• The product or service specification • The request for quote to the supplier or suppliers • Copies of the quotations and any related correspondence • The approvals documentation and the signed approvals • Correspondence notifying unsuccessful suppliers • Approved purchase order documents • Invoices

Clarify the process

It is important that you understand what is involved in approving a purchase for your organisation. For example, some larger organisations have a process where the approvals and the purchase order are checked before an invoice is paid. If you have wrongly approved an order for an amount that is beyond your authorised limit, then the supplier's invoice may be rejected after the goods have been received.

Here are considerations that can be critical during the purchasing process.

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Receive approvals first

It is critical that proper approvals are received before a supplier is given the authority to proceed. In many organisations, sending an approved purchase order to the supplier or providing them with an approval number is sufficient authority to commence production or dispatch goods that are already produced.

Under most terms and conditions, any costs incurred by the supplier before they have received the purchase order are at their own risk. For example, if they start production or dispatch goods while you are waiting for final approval, and then approval is denied by management, the supplier may not be paid for these goods. Since this can create an awkward situation, it is critical that you obtain all approvals before work commences.

Be clear on limits

You should be very clear on what you are authorised to purchase without further approvals. This can sometimes be quite complex. For example, you may have a higher authorisation limit for approved suppliers than for new suppliers or you may be able to authorise a $1,000 spend with any supplier but even a small change to the purchase order requires approval from your supervisor. If in doubt, check with your supervisor. In general, the purchasing or finance departments in most organisations can provide advice on purchasing authority levels for different job descriptions.

Process purchase orders

A common sequence of events for processing a purchase order is outlined below. Not all of these steps are always required, particularly when ordering standard goods from an approved supplier.

Here are steps that may be included in processing a purchase order.

Processing a purchase order

1

Develop a product or service specification

This that explains in detail what is required, by when, in what quantity. A supplier needs enough information to develop a quotation. Organisations may require approval of this document before it is distributed to suppliers for high-value or customised items.

2

Submit a request for quote to the supplier or suppliers

The product specification and any standard request for quote forms are sent to the supplier or suppliers. This includes a deadline for submitting quotes.

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3

Review supplier quotes

For complex or customised products, this can be a lengthy process. You may need to clarify details with suppliers.

4

Develop approvals documents

Each alternative is reviewed against the selection criteria in accordance with the purchasing strategy. This forms the recommendation that accompanies the purchase order for approval. The amount of work required depends on the complexity and value of the order.

5

Complete purchase order details

Most organisations have a standard purchase order form that must be completed with supplier details, product details, unit price, volume, any freight, import charges or other taxes, total cost, timing of supply and other details.

6

Circulate purchase order for approval

This should be done in line with the authorities manual or approvals requirements of the organisation.

7

Provide purchase order to successful supplier

This is generally accepted as an authority to start work or to dispatch goods.

8

Notify unsuccessful suppliers

Once the final approvals have been received and the successful supplier has accepted the order, then you should notify unsuccessful suppliers. Don't take this step any earlier in case your recommendation is not approved.

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Customised purchase processes

Your organisation may have customised processes to deal with specific situations.

Here are examples of organisational purchases and the purchasing steps undertaken to make these purchases.

Subsidiaries

Procedures may vary when ordering from an associated company; for example, transferring stock from another branch of the same organisation or ordering from an overseas partner. Generally prices are agreed between these organisations, so quotations may not be required. There may also be different authority levels to approve these purchases, which likely require less senior levels of approval.

Approved suppliers

Some organisations nominate approved suppliers for purchasing particular goods and services. Orders with these groups may require less senior levels of approval; however, you may still need to seek some approvals for spending against a particular budget. There may also be different documentation required for these suppliers.

Blanket orders

The purchasing representatives in an organisation may set up a blanket order. This sets an agreed price for a standard product, against which particular quantities may be ordered. For example, they may agree on the price of a box of paper with the office supplies company. An order can then be made without further approval. In these situations, it is usually important to reference the blanket order number in the order form, to ensure that the supplier is providing the goods in line with this agreement.

Overseas suppliers

There may be different documentation to deal with overseas purchases. This is usually done to ensure that any different currencies or charges are appropriately managed.

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Example: strategies influence purchases

The Total Body Shop has supported ethical purchasing strategies since the 1980s, when it launched a community trade program. Under this targeted purchasing program, it purchases accessories and natural ingredients for its products from disadvantaged communities around the world. This program aims to provide a sustained source of income for these communities by paying a fair price that covers production and wages and also enables investment in the community.

Ethical purchasing is one of the core values of the Total Body Shop. This, in turn, translates to purchasing guidelines, which prioritise sourcing with the community trade program over price competitiveness. In other words, even though there may be a cheaper source of cocoa butter for a face cream, the buyers at the Total Body Shop may prioritise an ethical source over the cheaper source because of the organisation's ethical purchasing strategy.

Practice task 1

1. Imagine you are working in an organisation that produces newsletters for distribution in the local community. What purchasing strategies and selection criteria might be involved with the purchase of a printer? To help gather information, research on the internet and discuss with your trainer, colleagues or friends how you might prioritise the criteria. Produce a summary to assist with the purchasing of printers.

... continued

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... continued

2. Think about your workplace or one you are familiar with. Briefly outline that organisation and the chosen job function. Identify two purchasing strategies that are in place. What are the business objectives that may be associated with these strategies? Give examples of how these purchasing strategies could be carried out.

3. List types of purchasing documents that an organisation's policies and procedures commonly require staff to file.

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1B Clarify purchasing authority with relevant personnel

It is important to clearly understand your responsibilities when making purchases and also what you are authorised to approve on your organisation's behalf. You may be required to work with purchasing personnel or more senior members of staff to secure approval for a purchase.

You need to understand your role within an organisation. A clearly defined organisational structure determines how staff are grouped within the organisation, to allow for effective management and clear communication.

For example, a buyer may work in a team of five people who report to the finance manager. The finance manager in turn works in a team of four managers, who all report to the operations manager, who reports to the general manager. This pattern forms the organisational structure.

Organisation charts

Most organisations represent their organisational structure using an organisation chart. Sometimes this is done by team or by department, because for a large organisation the chart can become quite complex.

It is important that you understand how your job role fits within the organisation as a whole. You already know who you work for, but you may not understand how the work that you do links into the rest of your department or the overall organisation.

If you understand, for example, that as a finance analyst some of the analysis you complete on sales results helps someone in marketing make decisions about what products need more promotion, then this may affect how you choose to present the data or at least help you understand the implications of any errors.

Position descriptions

Together with the organisation chart, your position description is an important tool for understanding your job role and how it relates to other areas of the organisation. Position descriptions provide a detailed summary of the duties required for each individual position.

Some organisations display position descriptions on the company intranet. Reviewing a job description for a position you might like to hold in future can help you identify any skills you might need to develop or training you should attend in order to be considered for that position.

Information in a position description may include:

- general duties
- occasional or ad hoc duties
- qualifications that may be required to fulfil the position
- skills that may be required to fulfil the position
- reporting structure, including any direct reports
- areas of the organisation that the person holding the position may interact with.

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A purchasing role and its limitations

Different organisations structure their purchasing in different ways. Sometimes all the purchasing for an organisation is centralised; that is, it is all done by a dedicated buyer or group of buyers. Other organisations adopt a decentralised purchasing process, where each department is responsible for its own purchasing arrangements.

Some organisations adopt a combined approach, where high-value or specialised items are purchased centrally, but lower value or frequently used items are purchased as required by the departments that need them.

There may be defined limits to your involvement with the purchasing process. These limits will vary depending on your role, the organisation and the purchasing model used by your organisation.

Here are some examples of purchasing limits.

Expenditure approval limits

You may be authorised to approve a purchase up to a certain financial limit. Generally, expenditure limits are related to your job function, so if you have transferred to a new position within your organisation, you should confirm whether you have retained your previous approval limits before approving any purchases.

Product category limits

You may be authorised to approve different amounts depending on the type of product or service being ordered. For example, some high-use goods, such as office equipment or kitchen supplies, may have different limits from other discretionary products and services.

Approved supplier limits

There may be different approval limits when working with approved suppliers. You should make sure that you understand who the approved suppliers are and what products or services you are authorised to approve.

Centralised purchases

Even when products and services are purchased centrally, you may still be involved in the purchasing process. You may be required to complete a product or service specification for the buyer, so that they can request quotations from suppliers as part of a formal tender process. You may hold initial discussions with suppliers to understand whether they can quote on your requirements.

When working within this purchasing model, it is important that you understand the limits of your involvement. Usually the buyer must be present for any discussion about price or conditions of purchase. You may also be required to attend these discussions to support the buyer on the detail of your requirements. This is generally the case for more complex or high-value items.

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Here is an example of the process that might take place if you worked in an IT department and needed to buy replacement printers.

Process for purchasing replacement printers
Complete a product specification listing the features you require and also those that are desirable but not necessary.
Complete some initial research on which companies have products that meet your needs.
Provide this to the buyer together with your product specification.
The buyer may meet with the supplier as part of the request for quote process or they may wait to meet until the initial quote is received.
As the subject matter expert, you may also attend these meetings with the supplier.

Decentralised purchases

If your organisation has a decentralised purchasing model, you may be involved in purchasing products or services for your department. Some decentralised models use designated buyers within each department; that is, positions that are authorised to approve purchases up to a certain value. Others allow each position to initiate a purchase order, but usually require a series of approvals based on the value and the type of product or service.

Sometimes decentralised models are used after initial involvement from purchasing. For example, the purchasing team may have negotiated terms for stationery with a local supplier. In this situation, your role may be limited to checking that the goods are supplied at an agreed price and having your stationery requisition, or a similar kind of order form, approved by your manager.

The following shows how purchases are made in an organisation with a decentralised purchasing process.

Decentralised purchasing process for purchasing ergonomic furniture

1. Obtain initial approval in principle for the purchase.
2. Research alternatives.

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3. Develop a recommendation.
4. Circulate recommendation for approval in accordance with the authorities manual.
5. Notify the successful supplier.
6. Request the supplier to reference the purchase order number on the invoice (this can help the finance department reconcile the payment).

Secure approval progressively

If the approval required for an expense is several levels above your position, it may be necessary to secure the approval progressively. For example, if a purchase by the buyer exceeds the finance manager's approval limits, it may need to be approved by the operations manager.

However, the buyer should secure the finance manager's approval before passing this on to the operations manager.

This is common business practice, to ensure that any concerns are resolved before a purchase is submitted to a senior level and also to ensure that the lower level manager is aware of the request.

Approval processes

There may be different approval processes in your organisation. These can vary by department or depending on the type of purchase being made, so it is important to check the procedures for your current job role. Your supervisor should be able to provide guidance.

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Some common approval processes are shown below.

Ad hoc approvals

Under this system, you can submit an order for approval to your supervisor and other levels as they arise. Depending on the urgency of your order, it can be helpful to monitor the progress of these approvals. For many busy managers, paperwork for approval can be delayed by other priorities. Providing a cover note explaining your timing, mentioning your requirement to an office assistant or making an effort to mention it to the manager in person can help streamline the approval process. This may be the case for smaller expenses.

Procedure-based approvals

For some larger expenses, there may be a regular meeting at which approvals are submitted. This could be because approvals are required from a range of people, so this is most easily done at a meeting that they or their delegates attend. If you have an item that requires approval in this kind of forum, you should be aware of the timing of these meetings and ensure that your preparatory work, including sourcing supporting approvals, is complete before the meeting deadline. You may need to brief a representative on your request if you are not attending the meeting.

Consult with others

Your organisation may have a clearly documented authorities manual that states, by job category, who is authorised to spend what amount on different types of products and services. This authorities manual may be held by either the finance or purchasing departments in your organisation. It may also be held on the company intranet. Generally these documents are widely available so that all employees are clear on their limits and responsibilities.

If your organisation does not have an authorities manual, there may be a more informal system in place. You may need to consult with other employees to understand what is appropriate for the particular expense. Your supervisor or manager may be able to guide you as to who to consult with.

Consulting with others is an important part of gathering approval. For higher value products and services, it is often better to present your case for approval in person. If you submit a request for new office equipment by leaving it in your manager's in-tray, your manager may not be inclined to approve the request. If you schedule time to explain the need to your manager, you are more likely to succeed and to receive support for the next stage.

Organisational roles and the approval process

Approval limits vary significantly among organisations depending on the type of purchases commonly made; for example, companies with higher turnover and higher value products are more likely to have higher approval limits. Also, people whose job function deals exclusively with purchasing are more likely to have higher limits than someone at their equivalent level in marketing, for example.

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Here is information about the typical roles in the approval process of employees working at different levels in an organisation. A suggestion is made as to what a typical limit is to the amount they can approve at their level.

Team leaders/supervisors
Role in approval process • Confirm the budget availability for the expense and provide input on the need for expense • A supervisor may also provide initial approval • Possible approval limits: $500 for team leaders and $1,000 for supervisors

Managers
Role in approval process • Provide approval following review of background and quotes • Possible approval limit: $5,000

Senior managers
Role in approval process • Provide approval following review of background and quotes • Ensure purchase is consistent with company priorities • Possible approval limit: $20,000

CEO
Role in approval process • Provide approval following review of background and quotes • Ensure purchase is consistent with company priorities • Possible approval limit: $50,000

Board of directors/owner
Role in approval process • Whether the board or owner has final approval will depend on the type of organisation • Possible approval limit: unlimited

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Buyers
Role in approval process • Provide advice on appropriate suppliers • Help negotiate terms and conditions • Ensure purchase complies with purchasing strategy and procedures • Possible approval limit: $10,000

Purchasing managers
Role in approval process • Provide approval for larger purchases • Ensure purchase complies with standard terms and conditions • Ensure purchase complies with purchasing strategy and procedures • Possible approval limit: $50,000

Other employees
Role in approval process • Provide input on what products and services are required • Help develop product specifications

Communication

In your work life, you will encounter colleagues of different ages, cultures, religions and levels of expertise or ability, among many other things. You will communicate with people in writing and verbally in many different situations. You will talk to people who are in a hurry and people in noisy environments.

You can work more effectively and efficiently if you pay attention to communication and make efforts to improve communication skills.

Speak clearly and use appropriate vocabulary and an effective pitch and intonation: this is how you use your voice to show extra information, such as whether you are asking a question and what your attitude is; for example, a respectful attitude.

You need to listen actively and may need to ask clarifying questions or read back a summary of the details you have noted in order to clarify that all details are correct. An example of a clarifying question is: 'Have I got that right?'

When seeking input from a wide range of staff about their preferences for a purchase, it is wise to limit the number of choices that they have to consider.

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Work with diversity

Diversity brings together different points of view, different ways of doing things and different methods of solving problems. This generally results in improved products and services, a larger customer base, greater profits and enhanced productivity.

Workplaces rely on teamwork and the ability of employees to work with and support each other. Whether you deal with the public, your organisation's suppliers, consultants, business associates or your colleagues, you are expected to accommodate the full range of diversity. Employers are prohibited by law from denying anyone employment based on gender, disability, race or religion.

When consulting with others in your workplace, you may need to consider a range of cultural and language differences and strategies to assist people with diverse communication needs.

Diverse backgrounds

Culture is the way that an individual's beliefs and values affect how they behave. It influences how they interpret, understand and respond to experiences and messages. A cultural group can be made up of people of the same nationality, ethnicity, age, language, religion, profession, gender or sexual orientation (and many others).

Cultures based on ethnicity often adapt to the dominant culture, but retain habits and practices handed down through generations of ancestors. These may relate to religion, interpersonal practices, food, dress and cultural celebrations.

Because our cultural backgrounds influence how we understand others and express ourselves, people can take different meanings from the same experience. In a workplace, this means that a conversation, a meeting, a presentation, an email or any form of verbal, nonverbal or written communication may hold different meanings for different people. Being aware of this is essential in guiding effective communication in the workplace.

Here are some guidelines for communicating with cultural awareness.

Communicating with cultural awareness
Becoming more aware of cultural differences helps you communicate with others more effectively.
It is useful to ask yourself how your culture is shaping your own reactions.
Try to see the world from another's point of view.
Be respectful, courteous and sensitive to co-workers.
Don't force your behaviours on others.

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Diverse abilities

Some people have a disability that can affect their spoken language. A person may not communicate using words at all; for example, someone who is deaf may use sign language to communicate.

Some people's language may sound slurred, may not contain all the regular speech sounds or may be different from the usual pattern of speech. This could be the case for someone who has cerebral palsy. They may use an alternative form of communication; for example, a communication board, a voice output device or a keyboard.

Here are some tips for effective, sensitive communication.

Tips for effective, sensitive communication
• Limit background noise and other distractions. • Face towards the person, but still show respect for their personal space. • Use the communication method they prefer to use. • Maintain eye contact and normal conversational habits of your own as you would in any other conversation. • Use nods, smiles and other nonverbal indicators to show you understand. • Don't finish a sentence for the person; wait for them to finish speaking before you interrupt or speak yourself. • Do not pretend you understand. • Never make a joke about someone you cannot understand.

Practice task 2

Read the case study, then answer the questions that follow.

Case study

Tajo works for a car dealership as the customer service coordinator. Every month, he prepares reminder letters to the customers in their database whose cars are due for a service or repair. After collating the list of customers, he prints the letters on company letterhead and prepares them for distribution. This month he takes the last pack of letterhead paper from the cupboard, so he contacts the printer to send another box and faxes them an order form. As he prints the documents on the service manager's printer, they become jammed. The manager explains that this has been happening often lately and that the printer should really be replaced. He suggests that Tajo uses the sales manager's printer instead. He also asks Tajo to look into the cost of replacing the printer, so that he can raise it with the dealer manager.

1. What authority do you think Tajo has for making purchases?

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2. If Tajo needs to clarify information or confirm requirements, what are some techniques he could use to communicate effectively? List four.

3. What authority do you think may be required for ordering the new printer?

4. Give examples of the sort of documentation that may be required to support the purchase.

Summary

1. Purchasing strategies help organisations achieve their business objectives.
2. Purchasing policies and procedures provide detailed information about responsibilities and authorities related to making purchases for an organisation.
3. There are legal and workplace responsibilities associated with making purchases for an organisation.
4. Understanding how your role fits within the organisational structure helps to identify the limits of your role related to making purchases.

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Learning checkpoint 1
Understand purchasing requirements

This learning checkpoint allows you to review your skills and knowledge in understanding purchasing requirements.

Part A

1. Explain how you might expect the approval process to be different for each of the following purchases and what paperwork you would expect to be required.
   - Office supplies up to $500
   - Paying the caterers for the Christmas party, estimated at $5,000
   - Building a new storage facility, estimated at $15,000

2. What are your ethical obligations when making purchases? Why do you think these are important?

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3. Identify three common organisational policies and procedures documents that relate to purchasing activities and one law that governs standard contracts that organisations may use.

4. What document explains which organisational roles have authority to purchase and to what limits?

5. How do organisations build the goal of obtaining value for money into purchasing policies?

6. Describe how a purchasing officer would determine the limits of their role in consultation with other personnel.

7. How does the job of purchasing officer or buyer contribute to broader work goals?

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8. List four tips for communicating effectively when verbally confirming requirements and clarifying information in an organisation.

9. Identify at least five types of purchasing documents that organisational policies and procedures often require staff to keep.

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Part B

Read the case study, then answer the questions that follow.

Case study

Theo works for a large pharmacy in a busy retail shopping centre. The owner, Trevor, has decided he would like to update the uniform, which is starting to look old-fashioned. He asks Theo to coordinate the new uniforms, mentioning that he is not very happy with the current supplier and thinks they could do better. He thinks the supplier is more expensive and has made a lot of mistakes on previous invoices.

Theo sends the product specification to three suppliers, including the current supplier, with an invitation to quote for supplying uniforms for 30 staff, both male and female, in a range of sizes. He reviews the quotes he receives and scores them against his selection criteria. He develops a recommendation for Trevor.

While Trevor agrees with Theo's choice of supplier, he is concerned that some of the staff may not like the uniform Theo has selected. He suggests that Theo ask some of the other staff for their opinions on the uniforms. Theo consults the staff and takes their favoured uniform to Trevor, who is happy with it.

He advises Theo to go ahead and order the uniforms. Theo asks Trevor to sign the recommendation document, so that there is a record of his approval. Trevor asks Theo to advise the company accountant of the expected amount and timing of the order.

1. What information could Theo put in a product specification for the uniforms? Who could he consult with as part of developing the product specification?

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2. Develop selection criteria that Theo could use in selecting the uniforms. What documents would govern the weighting given to these criteria?

3. How should Theo request input from the other staff?

4. How would you describe this purchasing model? Can you suggest any improvements?

5. Based on how he initially briefed Theo, what sort of purchasing strategy would you say Trevor is adopting for his pharmacy?

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Topic 2
Make purchases

Communication is an important part of making purchases. Developing a detailed and accurate purchasing specification is a critical part of ensuring the final product or service meets the organisation's requirements. By providing a detailed, written account of what is requested, the purchasing specification can also be a useful record in the event of a dispute or a change in personnel.

Following your organisation's purchasing procedures and protocols is also a key requirement. Policies and procedures usually specify who should approve purchases and they provide guidance on the appropriate purchasing methods for different types of purchases. It is also important to understand the protocols of purchasing, particularly respecting supplier confidentiality and assessing alternative suppliers in an objective, unbiased way.

In this topic you will learn how to:

2A Receive purchasing specifications

2B Select appropriate purchasing methods

2C Obtain approvals for purchases

2D Get quotes from suppliers

2E Select suppliers, place orders and make purchases

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2A Receive purchasing specifications

A purchasing specification provides specific details about what is going to be purchased. It should provide all the information a potential supplier needs to develop a full and accurate quotation and is usually developed by the requisitioner; that is, the person in the organisation who needs whatever is going to be purchased. It may be referred to as a job brief.

Where an organisation uses a decentralised purchasing model, the purchasing specification may be sent by the requisitioner directly to the supplier or suppliers who are being invited to participate in a formal tender process or provide a quote for the business.

Where a centralised purchasing model is used, the requisitioner sends the specification to the buyer. The buyer reviews it for completeness and forwards it to the prospective supplier or suppliers.

A purchasing specification may also be sent to an approved supplier who needs a detailed briefing of what is required, but does not need to develop a quote in order to win the business. After receiving the quote, the requisitioner does not provide authority to proceed until the budget is approved and any necessary orders are approved.

Content of a purchasing specification

Purchasing specifications vary depending on what needs to be purchased. The more information you can provide to a supplier at the quotation stage, the more accurate the quote will be. It is also more likely that the end result will match the requirement. There will be less chance of misunderstanding between your organisation and the supplier.

Some of the items that may be included in a purchasing specification for laptop computers for new staff are listed in the following example. These general headings can be used for a variety of products. If you think the supplier needs to know something else in order to provide an accurate quote, you should include it in your purchasing specification.

Here some examples of content that may form part of a purchasing specification.

Technical specifications
What do you need the product to do? Indicate mandatory and desired elements. Example: memory capacity, battery life, network capability, screen size, software.

Quantity
How many of the product will be required? Example: enough for each of the new staff and one for office use as a loan machine.

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Availability
What products are available? Example: if the product that you prefer is not available for some time, you may need to choose a different product to meet your immediate needs.

Intended purpose
When is the product required? Example: delivery should be one week before new staff commence, to ensure products have been set up to company requirements.

Warranty
What is the minimum acceptable warranty period? Example: 24 months plus service support as required.

Delivery
In order to meet warehouse requirements, specify how the products should be delivered and the maximum allowable weight and dimensions. Example: • By courier to office address • 4 kg without bag and accessories

Terms and conditions
Communicate the standard terms and conditions of the purchasing organisation. Example: payment terms are net 30 days.

Response requirements
When are the quotes due? How should the information be presented? Example: written summary of options required within two weeks of receiving the specification.

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Specify requirements in other situations

Sometimes the buyer may choose to ask the supplier to provide information without giving them a detailed requirement. This encourages the supplier to provide their best alternative, rather than simply meeting the specification. This may be done when dealing with technologically advanced products; for example, where there are ongoing developments.

It is important to define what is required when purchasing services required by your organisation such as cleaning, maintenance and advertising. Key deliverables, that is, outcomes that are expected from the service, are often used rather than technical specifications.

Profile of a good specification

The key objective of a purchasing specification is to enable potential suppliers to quote in full. Specifications should be written so that the alternative suppliers all quote on the same content, which enables the buyer to compare them easily. It should be clear to suppliers what is expected of them in terms of response timing and presenting their quotations.

How the specification is written is therefore quite important. It must be clearly written and not subject to misinterpretation.

Here is more about how to communicate technical requirements in a specification.

Communicating technical requirements clearly
• Avoid technical jargon wherever possible. • Provide technical drawings if possible and relevant. • Use lists and tables to summarise detailed information. • Use headings in the document, such as 'quantity', 'timing' and so on, so that suppliers can identify key information easily. • Write short sentences using active, rather than passive, language; for example, 'John wrote the specification' is active, while 'The specification was written by John' is passive. • Use a standard template for a specification wherever possible. • Provide requisitioner and buyer contact details so that the supplier can confirm information. • Any information given to one supplier should generally be provided to all potential suppliers to avoid bias.

Acceptance criteria

The purchasing specification should state the criteria for acceptance. For example, if some features are mandatory while others are merely desirable, this should be clearly indicated in the specification.

It should also be very clear to the supplier what they must do or have in order to be considered as a supplier for your organisation. This may include special delivery requirements or professional certification.

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Non-discriminatory features

An underlying principle of the competitive tender process is that all potential suppliers are given equal opportunity to win the business.

The tender process is not fair if existing suppliers are encouraged to take advantage of what they know already about the buying organisation. For example: the organisation may have a long-standing relationship with a particular supplier, so that using terms or abbreviations unique to the buying organisation may give an advantage to this supplier over a new one.

Here is a summary of points about ensuring objectivity to consider when writing or reviewing a purchasing specification.

Ensuring equal opportunity
The same information must be provided to all suppliers in the tender process. Any additional information should be provided to all participants.
Each supplier should be given the same amount of time to respond to the purchase specification.
Information should be presented clearly, in a manner that is easily understood by all tenderers.
There should be no discrimination based on location or any other criteria, providing that the requirements of the purchasing specification can be met.
No information about one supplier's response should be provided to another supplier before they have submitted their own response.

Keep suppliers informed

Purchasing specifications are part of good communications between buyers and suppliers. They provide clear and concise information about what is required from the supplier, including the product being ordered, the supplier's response to the quotation and the timing of delivery.

Purchasing specifications provide a written record of what has been requested, which can be helpful in the event of a dispute. For example, a dispute may arise if a product is received but the buyer or requisitioner believes it is not what was requested.

There may also be a dispute if the supplier changes the price after the initial quote is accepted because they believe a requirement did not appear in the original specification. You should keep records of any amendments to the specification to assist you in the event of a dispute, reissuing the specification document to all suppliers if necessary.

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Process a purchasing specification

If you are responsible for processing purchasing specifications written by other employees, you may need to confirm the information on the purchasing specification before generating any purchase orders.

Later in the process, you may meet with the requisitioner after the quotations are received and provide them with a recommendation on which supplier to choose. Your feedback on the supplier's history and reputation may be important in helping the requisitioner make a final selection.

Here are some aspects of the purchase that may affect your processes.

Complexity

How you proceed may depend on the complexity of the product being ordered, your familiarity with the product or the supplier, or the value of the product. For example, if the purchasing specification is for a straightforward product like standard office stationery from your existing supplier, you may simply transfer the details from the purchasing specification to a purchase order using your organisation's purchasing procedures. You would then seek appropriate approvals before sending the approved order to the supplier and a copy to the requisitioner for their records.

Unusual purchase

If the purchasing specification is for something unusual or expensive, such as new office equipment, you may choose to discuss this further with the requisitioner. Based on your experience with the supplier, for example, you could find some information missing from the purchasing specification, so you may contact the requisitioner and ask them to update it or to clarify some information.

Competitive tendering

If you are issuing a competitive tender, that is, formally asking more than one supplier to quote, you may choose to meet with the requisitioner to be sure you have fully understood the details. You may choose to have a meeting with the potential suppliers before asking them to submit a quotation, in which case you may ask the requistioner to attend. Alternatively, you may send the purchasing specifications to the supplier or suppliers, asking them to submit quotes by a specified date.

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Example: use a purchasing specification

Tansy works in the administration office of a warehouse for electrical goods. The company is expanding its range to include air conditioners, so it needs new warehouse shelves to accommodate them. Based on the information from the air conditioner supplier and the estimated volume figures from the sales department, Tansy completes a purchasing specification for the new shelves and forwards it to Susanne in purchasing.

Susanne reviews the purchasing specification and contacts Tansy to clarify the details. She advises her that she intends to conduct a competitive tender. She asks Tansy to set up a meeting with her in three weeks, as she will have received the quotations from the suppliers by then.

When the quotes are returned, Susanne sends them to Tansy. During their meeting, they agree on the selection criteria for the supplier. They review each of the three quotes against these criteria and agree on the best supplier. Tansy develops a recommendation and circulates it for approval so that Susanne can process the purchase order.

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Practice task 3

Read the case study, then answer the questions that follow.

Case study

Francine is the administrative assistant to the director of a small recruitment agency. For several weeks now the photocopier has been breaking down and the repairer has advised that it should be replaced. Francine discusses this with the director, who agrees that she should arrange to have it replaced. He asks her to research different photocopiers and recommend the best alternative. He suggests it may be time to upgrade to a colour copier, so that they can print some of their own marketing material rather than using the advertising agency for every requirement.

1. What should Francine include in the purchasing specification? Develop a specification that she could provide to prospective suppliers.

2. Write five questions that Francine could have asked the director to determine specific requirements for the new photocopier.

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2B Select appropriate purchasing methods

Different organisations use different methods for making purchases, such as payment by credit card, on account with existing suppliers or according to ongoing supply agreements. It is possible that some organisations use one method exclusively, but it is more likely that they use a combination of methods depending on the purchase.

If a purchase is made regularly or the organisation does regular business with a particular supplier, then it is likely to establish an account with that supplier. The supplier submits an invoice at the end of an agreed period, which is processed by the accounts department of the organisation.

However, for purchases of small value or purchases that are made infrequently, it may be more appropriate to make a credit card purchase or even use petty cash. Most organisations have guidelines about which employees can use a company credit card, to ensure that it is only used for authorised purchases.

Advantages of different methods

Each of the different methods of purchasing has advantages to consider.

This table provides a summary of the advantages and examples of when each is likely to be the best method.

Purchasing method	Example of use	Advantages
Credit card	Low-value purchases or ad hoc purchases Purchases where supplier does not wish to establish account with organisation	Reduces administration required to establish and maintain account.
Online	Purchases where relationship with supplier not required. Particularly useful for standard products such as books and office supplies, which do not require customisation	May provide cheaper prices. May access cheaper, overseas suppliers more easily.
Petty cash	Low-value purchases made regularly, such as milk for the staff kitchen	Minimal paperwork is required for particularly low-value purchases. Convenience.
Account suppliers	Higher value purchases Purchases made with same supplier on regular basis, such as office supplies	Enables wider range of staff to order where appropriate, without requiring authorisation to use credit card. Allows consolidation of several invoices.

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Purchases requiring quotes	Higher value purchases Purchases where different suppliers offer different features; for example, office equipment or furnishings	Provides the most information about a purchase ahead of making a transaction.
Supply agreements	Products or services required on an ongoing basis, usually according to an agreed pricing structure. May be used for some office requirements; also useful for inputs to manufacturing processes	Allows purchasing involvement in agreeing price and terms of purchase, but allows other staff to coordinate ordering.

Guidelines

When deciding on the best purchasing method to use for a particular purchase, you should first review the organisation purchasing policies and procedures. It is likely that there are guidelines about when particular purchasing methods may be used.

It is important that you gain the appropriate approvals before authorising a supplier to proceed, regardless of how the purchase is made. Most purchase order forms provide an opportunity to indicate the terms of payment and therefore the chosen purchasing method. This means that when you are gaining approval for the amount and type of purchase, you are simultaneously gaining approval for your chosen purchasing method. This will help prevent any confusion or concern when the payment is processed.

Here are some examples of rules that may be included in policies and procedures.

Credit cards

Most credit cards have spending limits. If these are exceeded, the organisation will either incur a fee, have a transaction refused or both. Therefore, it is likely there is a maximum value for any credit card transaction made on the organisation's behalf. The purchasing procedures or the authorities manual will detail this amount. If you cannot confirm the maximum authorised value for company credit card purchases, check with your supervisor or finance department.

Account only

There may be some suppliers or categories of purchases that must be made on account. This could be because of the type of product or service supplied, or simply because it is a high-value purchase.

Most appropriate method

There may be times when you need to choose the most appropriate purchasing method. For example, there may be a purchase that can be made either with a credit card or petty cash, or you may need to decide whether it is worth setting up an account for a supplier that will accept a credit card transaction for the current purchase.

Providing that all alternatives are within the purchasing guidelines, you should exercise your judgment about the best purchasing method.

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Here are some considerations when choosing the most appropriate method.

Value of the purchase

Generally, for higher value purchases it is best to proceed with either a credit card or account purchase. This gives your organisation longer to pay the supplier, which is helpful for cash flow.

Expected frequency of the purchase

Although setting up an account can be inconvenient and time consuming, if the purchase is likely to be repeated, even every few months, it is worth establishing an account. This facilitates future transactions.

Security of the purchase

Internet transactions are convenient and usually require credit card purchasing. However, it is critical that you trust the internet provider and the security of the payment system, as credit card fraud through internet transactions is increasingly common. Restricting purchases to websites from larger organisations with good security credentials is prudent.

Terms of the payment

If there is a difference in payment period between two payment methods, it is probably best for your organisation to choose the method with the longest payment period. This helps with cash flow management. For example, a supplier may be asking for a seven-day payment on account purchases, but your organisation may have an interest-free period on its credit card, which allows a longer payment period.

Convenience for the purchaser

Convenience may be a consideration, particularly for low-value purchases, even recurring ones. For example, you may be able to choose between petty cash or credit card payment for kitchen supplies, but it may be quicker and easier to use petty cash because it has a simpler approvals process.

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Other considerations

Making purchases for your organisation is a significant responsibility. You need to be aware of external influences to ensure that you make the best possible decision for your organisation.

This is generally more relevant for higher value, more complex purchases; however, a high level of market awareness, even for low-value purchases, can save your organisation money and help ensure it receives the best possible product or service.

Here are several key things to consider when undertaking a purchasing exercise.

Market characteristics

It is important to be aware of the overall market in which you are purchasing. For example, if you are purchasing office supplies for your organisation, it is helpful to remain aware of prices being offered elsewhere. You may do this by regular internet reviews of competitors and reviewing advertising material. Even when you have an ongoing contract with one supplier, you should stay aware of competitors' activities and any new entrants.

Existing contracts

Existing contracts may affect the terms you negotiate with a current supplier about a new product. They can affect the purchasing method, particularly if one method has already been agreed. If another person in your organisation deals with the same supplier, you should maintain contact with them about your arrangements. This helps prevent any conflict; for example, by awarding the supplier new business when your colleague is criticising their performance.

Total value of purchase

The total value of your purchase, and its importance to your supplier as a proportion of their overall business, affect your negotiating position. You may be able to secure better terms for your organisation if, for example, your purchase is a high-value one and represents a lot of business to the supplier. If, on the other hand, you are making only routine purchases of a low value, you may only be able to secure the standard terms offered by that supplier.

Project complexity

You may be purchasing products or services as part of a larger project being run by your organisation. While it is important to consider each transaction individually, you should also ensure that you understand how it fits into the wider project. For example, you may need to negotiate faster delivery of a product to accommodate other deadlines in a project. You may also find it helpful to brief the supplier on the project so they can support these requirements.

The tender process

Under a competitive tender, several potential suppliers are formally invited to prepare quotations to supply a product or service required by an organisation. For more complex projects, these quotes may be highly detailed proposals.

Competitive tenders are a normal part of doing business. Contacting several builders to quote on building a community centre, for example, is a competitive tender. Similarly, you may have visited several dealers before buying a car or reviewed a number of menus before choosing a caterer. Effective competitive tenders must be run so that they are objective and do not allow for any form of bias or favouritism.

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Your organisation may provide detailed guidelines on conducting a competitive tender in its purchasing policies and procedures. If so, review these guidelines carefully and ensure you follow them.

Here is more about the tender process.

Key elements of the competitive tender process
• Provide consistent information. • Provide equal response time. • Consider all potential suppliers. • Choose an appropriate presentation method. • Notify suppliers appropriately.

Conduct a competitive tender

There are several issues to consider so as to ensure tenders are competitive. If you are asked a question by a supplier or are making a decision related to a tender, ask yourself whether you are offering the same opportunity to all participants. If the answer is no, then you should either decline to respond to the supplier and seek guidance, or ensure that the same opportunity is granted to all.

Here are several aspects that need to be considered when conducting a competitive tender.

Provide consistent information

This is an important part of treating all potential suppliers equally. The purchasing specification is an important part of this process. All suppliers should receive the same material at the same time. Any clarifications should be provided to all suppliers, regardless of which supplier asked the question.

Provide equal response time

When requesting formal quotations from suppliers, you should provide a clear deadline for submission. If a supplier requests an extension and you agree to this, it is important that you offer this extension to other potential suppliers as well. It is not fair for one supplier to spend three weeks preparing a quote, for example, if other suppliers have only two weeks.

Consider all potential suppliers

You may have an existing supplier for a particular product or service. If this contract is due to expire or you are tendering for a new line of business, you are still entitled to conduct a competitive tender. Most organisations would invite the existing supplier to tender for the new business, but it is helpful to invite key competitors as well. It may be too unwieldy to invite all competitors in a given market, but ensure you choose several good performers. How many you invite will depend on your available time, but having at least three quotes should give you a fair idea of the market.

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Choose an appropriate presentation method

Depending on the product or service you are sourcing, you may ask potential suppliers to provide a written proposal by email, deliver a presentation or submit prototype products for review. Whatever method you request, you should give equal opportunity to all suppliers. If you are holding a presentation, you should try to arrange for them to be delivered within a very short time span to ensure all suppliers have equal time to prepare. If a supplier cannot meet your suggested timing for presentation, offer them an earlier time rather than granting an extension.

Notify suppliers appropriately

The successful supplier should be notified as soon as possible after the approvals are received. Unsuccessful suppliers should be notified as soon as possible after the chosen supplier has accepted the business. This is to ensure the unsuccessful suppliers hear the news from the appropriate person at the purchasing organisation, rather than from another source.

Example: choose the best payment method

Simon works for a community centre. One of his responsibilities is to support fundraising activities. He is developing a flyer and leaflet to advertise the centre's annual street festival, which is its biggest fundraising event of the year. He needs to arrange printing himself. He decides to contact several of the printing outlets in the area for quotations.

Simon selects a company for the job. Not only is it the cheapest, but it will include express delivery in the price. He presents the recommendation to his supervisor for approval.

While they are discussing this, he mentions that the company accepts credit card payments. He thinks this is more efficient than establishing an account; firstly because of the paperwork required and secondly because he is only likely to use the printer once a year for the festival. Simon's supervisor agrees and authorises him to make the purchase on the organisation's credit card.

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Practice task 4

Review the purchases listed in this table. Complete the table with the most appropriate purchasing method and your reasons for selecting the method. Indicate which purchases you think may require a competitive tender and explain your reasons.

Purchase	Suggested method	Competitive tender?
Caterers for office party		
Components for ongoing production process		
Kitchen supplies		
New office furniture		
Office paper from current supplier		

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2C Obtain approvals for purchases

Most organisations require approvals at some level for all purchases. Financial management systems usually require any expenditure to be approved by at least one other person. This is part of the normal auditing process, rather than a matter of trust in individual employees. It applies to even quite senior employees. Even though they may have some discretionary spending, this will generally require approval beyond an agreed level.

It is your responsibility, as someone who makes purchases on behalf of your organisation, to be aware of the approvals required for a particular purchase. Approvals may be paper-based, requiring signatures on a purchase order form, or online, where an electronic system transfers the details to different people according to the level of approval required.

If purchasing is your core job function, you may have an authority level for new purchase orders that do not require approval by a supervisor. This kind of approval usually has a financial limit based on either the individual purchase order value or the expected annual spend on the particular item. Beyond this level, you may need to secure approval from your supervisor or manager.

Consequences of not securing appropriate approval

Whether the appropriate approval method is through requisition, a purchase order, major project approval or a customised approval method, it is important to secure the appropriate approvals.

Not securing the appropriate approvals can have significant consequences.

Here is more about the possible consequences of not securing appropriate approvals.

Consequences of not securing appropriate approvals
• There may be disciplinary consequences for individual employees, ranging from a reprimand to dismissal in certain cases. • Unauthorised commitments to suppliers create an audit risk for the organisation. • If suppliers commence work for a purchase that is later refused, then they may seek to recover costs from the organisation.

Requisitions

Requisitions are generally used for low-value or frequently made purchases. They are submitted by an area of an organisation to the financial department.

This is a way of monitoring expenditure or usage without creating a significant administrative burden on the organisation. Once a requisition order has been approved by the financial office, a purchase order is issued.

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Organisations use requisitions in different ways. Here are some examples of minor variations.

Purchaser signs

Organisations may allow requisitions to be signed by the person doing the purchase. In this case, their purpose is simply to monitor expenditure or usage, and not for approvals. This is only permitted for very low-value purchases. You may be required to sign a stationery requisition form before taking materials from the storage area or before using petty cash to purchase kitchen supplies.

Supervisor signs

Organisations may require a low level of approval for requisitions. This may be your immediate supervisor or a delegated buyer who is authorised to approve purchases within a given range.

Format changes

Requisitions may be standard forms created by your organisation or they may be order forms from the supplier. It is important that you file these requisitions as required by your work procedures, so that they can be used to reconcile the accounts in future.

Purchase orders

For higher value purchases, you may need to complete a purchase order document. This may be a standard form or simply a written approval document that is forwarded to all parties.

In general, there will be multiple copies. Copies are sent to the supplier as their authority to proceed, to the requisitioner for their records and to the accounts department to allow reconciliation with the invoice, and a copy may be retained by the buyer if they are not the requisitioner.

In general, purchase orders are circulated for approval, either on paper or electronically. Depending on the size and structure of your organisation, approval may be required by a number of different areas.

Here are some examples of areas that may be involved in purchase order approval.

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Requesting department

The requisitioner completes the details of the purchase order, including the supplier, the purchase, the value and the assigned budget centre. They also attach any supporting documentation, such as the purchasing specification, quotations, recommendation papers and approvals for the overall project. The requisitioner may need to arrange for approval by a supervisor or manager before forwarding the purchase order, depending on the value of the order and the level of approvals required.

Finance department

Some organisations require finance approval before forwarding the purchase order to purchasing. This is generally to ensure that the budget authorised by the requesting manager is available.

Purchasing department

The buyer ensures that the terms and conditions of the purchase order are consistent with the organisation's requirements. They also review the recommendation. Depending on the value of the order, the buyer may need to forward the order to their manager for subsequent approval. In general, the buyer is the one to notify the supplier that they may proceed; however, this may be done by the requisitioner in some organisations.

Reconciliation

Organisations control the issue of purchase orders. There may be designated people in each department who manage a register of orders.

This is generally to support audit requirements, so that orders issued can eventually be reconciled against orders paid. You may need to complete a brief outline of the order and intended supplier when you receive a purchase order.

Major project approvals

Some complex projects require overall approval, as well as approval of the individual purchases that are required. For example, if an organisation is completing a refurbishment of the office or upgrading its computer system, then it may first complete an approval process for the overall project.

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An advantage of this process is that, providing the overall project is approved at the required authority level, the individual purchases may then be approved by a lower level of management. For example, although the total expense of the computer upgrade may be $30,000, which may require general manager approval, the individual orders may be within middle management sign-off levels. This reduces the administrative burden of the overall project.

Individual purchase orders related to a major project may still require senior levels of approval. This can occur if the individual orders are of a value that would require their approval regardless of whether the project is approved. It can also be required if the project is running over the agreed budget or if an individual expense is significantly more than the individual estimate.

Complexity of major projects

Major projects require the highest level of approval. Most organisations require approval of the project, based on a series of estimates and plans, before the purchase order approval process commences. The project planning process would involve a team of people from different parts of the organisation; for example, the IT department, finance, purchasing and potentially expected users of the system. These areas would agree on a strategy before presenting it for approval.

Once this approval is secured, purchase orders can be approved separately and may not require as high a level of approval as the whole project.

You may be able to circulate your approvals on an as-required basis. Alternatively, you may need to present your request for approval in a formal meeting. If so, ensure you are aware of the schedule for these meetings and that you have met any preliminary requirements, such as consulting with other people involved in the project or gaining preliminary approvals. This will help prevent delays.

Your organisation may require specific forms and documents. As long as there is appropriate supporting documentation that provides the approver with all relevant information, you can usually complete your own documents.

Financial and legal consequences

Securing approvals for purchases is required as a part of the financial audit process. Unauthorised commitments, which occur when a supplier is given permission to proceed before approvals are granted, can create an audit risk for the organisation and have financial and legal consequences.

A supplier may commence production of an item or begin a development process based on a request from an employee of the organisation. They may then seek payment for this regardless of the fact that the expense was not approved by the organisation.

This is why suppliers should be instructed to wait for a copy of the approved purchase documentation before commencing work. By authorising a supplier to commence work ahead of final approval, an employee is placing the organisation at risk of incurring unapproved expense.

Here are some ways of minimising financial and legal consequences and risk.

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Educating suppliers

One way of minimising risk is ensuring that suppliers know the approval process at your organisation. This may be one reason for involving purchasing, particularly when establishing a relationship with a supplier. The supplier and buyer may develop risk management procedures, such as making sure employees at the supplier check for documentation before commencing work for the organisation, or making sure they know which signatures are required on an order form.

Written confirmation

There may be times when a supplier chooses, for their own reasons, to commence work ahead of the final approval. If you, as a buyer or requisitioner, are aware of this, you should ensure the supplier clearly understands that this work is done at their own risk. In other words, if the final approval is not granted, the supplier cannot issue an invoice for this work. If necessary, confirm this in writing, so that you have a record of this instruction in the event of a dispute.

Example: responsibility

In some larger organisations, approvals may be granted by different people. This depends on the value of the purchase and may also vary based on the type of product or service being purchased. Higher value purchases may require approval from employees outside the requisitioner's area; for example, from the buyer or from a finance representative.

Here are examples of purchases and the approvals they may require.

Examples of who to obtain approvals from

Box of pens

Supervisor.

Designated buyer for stationery; for example, administrative assistant.

New photocopier

Management level.

Likely to require purchasing and finance approval also.

Biscuits for the tearoom

Requisition. May not even require supervisor approval.

50-workstation network

Senior management level as part of a major project approval.

Will require purchasing and finance approval also.

Likely to require additional approval from IT department.

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Practice task 5

Read the case study, then answer the questions that follow.

Case study

Maria works in marketing for a chain of department stores. She and her supervisor, James, have been discussing having a sale promoting Father's Day, where they would arrange for discounts on automotive goods, hardware products and men's clothing. James congratulates her on the idea and says he will discuss it with management.

The next day, Maria is talking with the advertising agency, as she wants to make sure they have enough time to develop the concepts. She tells the agency about the sale and suggests that they start considering some ideas for promoting the sale. They agree to develop a proposal for Maria to present to James.

Two weeks later, Maria receives the proposal together with an unexpected invoice for the initial creative work. She meets with James to review the proposal.

After reading the proposal, James tells Maria that the sale has not been approved. He asks her why she authorised the agency to commence work before the sale was approved. He explains that she needed his authority to ask the agency to commence any work and he could not give it until the sale was approved by management. Maria is now very concerned about the invoice, which she passes to James.

1. What do you think James should do?

2. What should happen with the invoice?

3. How could Maria have handled this differently?

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2D Get quotes from suppliers

As someone who makes purchases for your organisation, you will be required to ask suppliers to provide quotations from time to time.

Here are some reasons for requesting a quote.

Negotiation of standard price

The purchaser wants to agree a standard price with the supplier. This may be for products or services that will be ordered frequently for your organisation. A blanket purchase order sets a price for a given period of time for these products and simplifies the ordering process.

Particular project with a preferred supplier

Your organisation may have a preferred supplier for computer software who will supply all software to your organisation for the duration of the supplier agreement. You may still request a quote from this supplier for a specific software need. This quote should then accompany the purchase order for approval of this particular purchase.

Competitive tender

You may ask several potential suppliers to submit formal quotes for a particular product or service. This is a process that is generally used for higher value purchases. It may also be done before choosing a supplier for an ongoing supply agreement.

Guidelines for quotations

Your organisation may have standard policies and procedures for requesting a quotation. If so, review these carefully and ensure that you follow them.

Some organisations, particularly those with centralised purchasing models, may require that only purchasing officers or buyers request quotes from suppliers. Others may require quotes to be sourced for any purchase above a predetermined amount (for example, $2,000) but may allow any employee to request them. Alternatively, you may be able to request quotes from existing suppliers, but not for new business.

You should ensure that you understand, when a quote is required by your organisation, who may request it and whether there are any particular requirements for the quote.

Here are several general guidelines for obtaining quotations.

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General guidelines for quotations
Provide full and clear information to the supplier; for example, a copy of the purchasing specification.
Provide clear information on timing, including responding to the quote and supply of the product or service.
Specify standard terms and conditions for your organisation.
Specify standard terms and conditions for your organisation.

Review quotations

When you receive a quotation back from a supplier, make sure you review and check it.

Here is information about what to review.

Your review should check for the following:

- ❑ The quotation is on approved company letterhead from the supplier.
- ❑ It shows how long the quote is valid for.
- ❑ It matches the criteria established in your purchasing specification.
- ❑ It is signed by an authorised employee of the supplier.

Find suppliers

A competitive tender generally requires at least three formal quotations. You probably know the market for your product and service well, so you may already know the best suppliers to contact.

If this is not the case, you may need to research potential suppliers and where to find this information. Finding suppliers for your organisation is not much different from finding someone to conduct a repair at your home or choosing where you can purchase a new appliance. Ask people you think may have purchased a similar requirement about their experience, whether they recommend their supplier or where they found the information.

Here are some examples of sources of information.

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Company records and marketing material

You may choose to ask previous or existing suppliers to quote for the business. It may be helpful to ask other employees who have dealt with the supplier before for their feedback. If they have negative feedback, you may choose to invite other suppliers to quote instead.

Your organisation may previously have received marketing material related to the product or service you are purchasing. Review the file of material for potential suppliers.

An internet search

For relatively common products or services, it may be sufficient to conduct an internet search for suppliers. You may be able to use internet forums to gain feedback on the supplier or product. Be cautious in using these forums, as participants may have hidden agendas or limited knowledge. They can, however, be helpful in identifying questions to ask prospective suppliers.

Consulting with experts

Ask other employees in your organisation whether they are familiar with suppliers of the product or service. Alternatively, you can ask other organisations, friends, family or acquaintances, providing this does not breach any confidentiality requirements.

Purchasing personnel

Purchasing staff in your organisation can be a valuable resource about suppliers and their experiences with them. They may be able to provide contacts that can assist you further.

Understand key requirements

The purchasing specification is an important part of the request for quote process. It should provide all the information required for suppliers to provide a full and complete quotation. The level of detail required in a purchasing specification will vary depending on the product or service being purchased. Higher value purchases are likely to require a more detailed purchase specification.

If requesting a quote on common goods or services, such as office supplies, the purchasing specification may be quite brief. For example, the requisitioner may specify six boxes of recycled office paper to be delivered to the administration office next Tuesday, but is not likely to provide a technical specification, weight, dimensions or specific response requirements.

A detailed request for a quotation includes:

- technical specifications and key deliverables
- quantity
- availability
- intended purpose
- warranty
- delivery method and weight and dimensions of item
- terms and conditions
- response timing and requirements.

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Purchase specification for a customised item

The more customised a product or service being purchased, the more detailed the specification should be, in general.

For example, if you are involved in hiring a training company to develop and deliver sales training material for new staff, providing a more detailed specification will help ensure you receive training material that matches your needs.

You may choose to include information such as:

- the educational background of the staff
- where you expect the training to be held and the facilities available
- the type of products being sold by your staff
- what skills you expect them to have acquired by the end of the course.

Clarify key requirements

It is important to provide a high level of detail when developing purchasing specifications, even for a product you are highly familiar with, since not all people reviewing the document will share your level of knowledge. Aim to use simple language that is as free of jargon as possible to make it easier for readers.

If you are processing purchasing specifications developed by others in your organisation, it is important that you understand the key requirements. You should aim to have a high enough level understanding of even technical specifications so that you can respond to any supplier queries and also to understand any concerns or disputes that might arise.

Here is some information about clarifying key requirements.

Who should you meet?

Before processing complex purchasing specifications written by others, you should meet with the requisitioner and other employees involved; for example, finance analysts may have developed a maximum affordable price for the product, based on their intended sale price.

Clarify with your area

How you approach clarifying the information will depend on who has developed the specification and how they relate to your position. If the specification was developed by someone in your area, for example, it should be relatively simple to confirm the information with them.

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Approach others

There may be times when the requisitioner is from a different department or they may be senior to you in the organisation. While this can be tricky, if you explain that you are merely seeking to understand their requirements so that you can assist them more easily, then you should be able to arrange a meeting to clarify the requirements. It is more efficient to clarify the requirements before sending the specification to the supplier, as otherwise the supplier may provide an incorrect response.

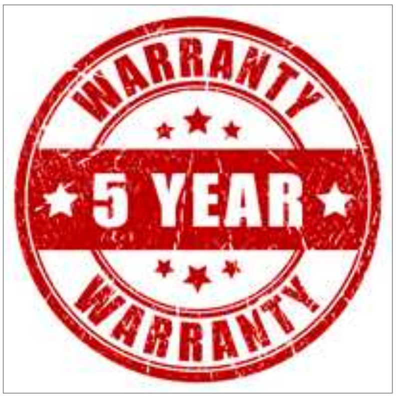
Review document

Review the document in detail, ensuring that you clearly understand each section and what the requisitioner intends. This will help you respond to any supplier queries and may also be helpful when negotiating final terms with the successful supplier.

Follow procedures

Your organisation may have workplace policies and procedures governing how you clarify key requirements with other employees. These are usually part of the purchasing policies and procedures. If so, you should follow these procedures. If you have difficulty clarifying the information, your supervisor may be able to suggest alternative contacts or help in other ways.

Favourable terms



There are times when it is appropriate to restrict detail, so that the supplier can offer their best suggestion. For example, you may choose to ask the supplier to provide information on their warranty conditions or daily labour rate, rather than specifying a minimum warranty period or maximum daily rate. The response from the supplier may be more favourable than what you would have otherwise suggested.

It is also important that, when selecting the potential suppliers to respond to a request for quote, they must not be able to share information. This may mean that, if one potential supplier has two divisions that could be invited to tender, only one should be included. This is because, if the two divisions were to discuss their tender, they could adjust their responses to ensure that one response was received more favourably. For example, one division might quote at a higher price than they otherwise would so that the other division's quote appeared much cheaper in comparison.

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Confidentiality and legal requirements

Maintaining supplier confidentiality is a critical part of the purchasing process. You should respect this, even sometimes within your own organisation. Obviously, you should inform those involved in the approval process of the details of the quotation, but in general you should only share the details of any quote with those directly involved in the purchase.

Mentioning quotes to other employees, even in casual conversation, can indirectly compromise supplier confidentiality, which is unfair to participating suppliers and can have significant consequences for the responsible employee.

Here are some examples of confidentiality considerations.

Supplier terms

Keep supplier terms confidential

Details of one supplier's quote must never be provided to another supplier. It can provide an unfair advantage to one supplier if they know the terms of a competitor's offer. For example, they may have been planning to quote at $100 per hour, but if they know a competitor has quoted at $107 per hour, they may raise their response.

Feedback

Be cautious when giving feedback

There may be times when a supplier asks you for feedback on why they did not succeed in a particular tender. While the business has already been secured by someone else, you should still be very careful in how you respond. For example, it may be appropriate to suggest that it was because the supplier offered better delivery conditions for a comparable price, but it is unwise to offer too much detail. If in doubt, it is better to advise the unsuccessful supplier that you are not able to provide that information.

Government tenders

Follow government contract requirements

There are times when competitive tenders have legal obligations. For example, some government departments are required to make details of a tender available to the public. There are strict rules surrounding this, however, and if your organisation is subject to these or similar requirements, make very sure you clearly understand what you are obliged to reveal, when you may do so and what should remain confidential. There are often extensive review processes within the organisation before such information is published. You should review the relevant policies and procedures carefully to ensure you comply with them.

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Suppliers' agreements

Respect suppliers' confidentiality agreements

Some tenders may require you, the potential suppliers or others involved to sign a confidentiality agreement. You should be sure that you clearly understand what you are being asked to sign and if you are unsure, speak to your supervisor or your organisation's legal representative.

Purchasers' agreements

Respect purchasers' agreements

Some standard purchasing terms and conditions include confidentiality clauses to protect the purchasing organisation. If this is the case for your organisation, ensure that all suppliers who receive a purchasing specification are aware of this inclusion.

Example: treat suppliers equally in competitive tender

Renee is the purchasing officer for a regional hospital. She has received a purchasing specification for replacing the chairs in the waiting area of the hospital. She meets with the hospital administrator, who wrote the specification, to clarify some details. At the end of the meeting, she tells the administrator that she will update the specification with the information the administrator has provided.

The administrator asks if she will use the same supplier who recently provided the furnishings for the children's ward and Renee explains that, because the furniture will cost more than $2,000, the purchasing policy requires her to get at least three quotations before choosing a supplier. She will ensure that the previous supplier is given the opportunity to quote.

As the purchasing officer who is responsible for coordinating the competitive tender, Renee reviews the updated purchasing specification with the requisitioner, the hospital administrator. Although Renee cannot guarantee who will secure the tender or award the business to a previous supplier without carrying out the tender, she can accommodate the administrator's request that a current supplier be given the opportunity to quote.

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Practice task 6

Describe an appropriate quotation process for recruiting a tradesperson to repair the heating system at a workplace. Which documents would provide accountability and transparency for the process?

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2E Select suppliers, place orders and make purchases

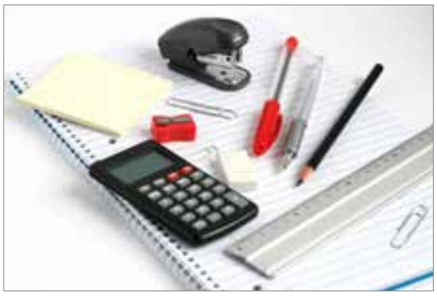
When choosing suppliers to participate in a competitive tender or selecting the successful supplier once quotations have been received, it is important to consider the product or service they are offering.

It is equally important to consider the supplier themselves, particularly if you are seeking an ongoing purchasing relationship and not just one transaction.

Here are aspects that may be taken into account when selecting suppliers.

Factors to take into account when assessing suppliers
• Financial health • Ongoing quality • Customer service levels • Potential for long-term purchasing relationships

Financial health of supplier



Financial health of suppliers is most important when the product or service you are purchasing is one that your organisation depends on to conduct its own business. For example, if you are purchasing an input to the production process, then it would cause considerable disruption if the product was not available due to financial problems at the supplier.

If the product is one that is used regularly but there are alternatives available, such as office supplies, it would be inconvenient to find another source but would not significantly disrupt your core business.

Researching financial health can be difficult, as most organisations are not keen to communicate their financial problems. For major purchases over long periods, you may be able to ask the supplier to provide some information.

Your own purchasing department may also be helpful. You can ask others who have used the same supplier for their input. Be aware that this is sensitive information and treat it accordingly.

Select a supplier

If you are working in an organisation as a buyer, you need to consider factors that other people in the organisation may use to make decisions in relation to suppliers.

Here are some aspects that may need to be considered when choosing potential suppliers.

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Ongoing quality

Higher quality products, even when more expensive in the short term, can save the organisation money overall because there are fewer concerns or defects. For example, you may ask suppliers to provide information about their quality performance or their rate of customer concerns. You may also seek testimonials from others who have used the suppliers. You can also find such information online, although this kind of feedback should be used carefully, as you may not know who is providing the information and they may have other reasons for criticising the supplier. Such information, however, can be used to develop questions for the supplier.

Customer service levels

Suppliers' responsiveness in dealing with problems can be a key factor in how easy they are to work with. Since problems do occur from time to time, you would prefer to work with a supplier who accepts responsibility for concerns and works to resolve them promptly. Seek feedback from other customers of the supplier. For example, some organisations collect data about their response time for customer concerns, so you may be able to request this in order to compare different suppliers.

Potential for long-term purchasing relationships

If the purchase requirement may continue for a long time, it is important to consider whether the suppliers will be able to support this and whether your organisations will be able to work together easily. For example, you may consider purchasing a short-term requirement from a company that has just opened for business, but you may wait to see how they perform before awarding them significant business.

Different company cultures can also be important. If your organisation is a fast-paced, demanding environment, then it will be frustrating for you to work with one that has a more laid-back ethic, particularly if they are not responsive to your time lines. This may be something you can tolerate for some purchases, but may not be conducive to successful long-term partnerships.

Use evaluation tools to make your decision

It is important to consider the overall value of a purchase, not just the price that will be paid per unit, when choosing a supplier and its goods or services. Sometimes choosing the cheapest quote can be false economy. While the initial cost may be lower, subsequent problems may either cost money to repair or cost your organisation in time and inconvenience.

It is important to define selection criteria for choosing suppliers. These will vary depending on the product or service you are purchasing.

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Factors that affect supplier choice include:

- price
- quality
- service levels
- reliability
- efficiency
- environmental performance
- warranty.

A weighting system

Different selection criteria can be more important at different times; for example, when you buy clothes for yourself, quality is more important for a suit than for a pair of tracksuit pants.

One way to prioritise these criteria is to assign a simple weighting system. Assign the most important criteria as 3, moderately important criteria 2 and others 1. Then review each alternative product/service and assign them a score out of 10 on each criterion, with the highest number assigned for the best performance; that is, a 10 is better than a 5. Then you can work out a final number for each alternative product/service by multiplying the two numbers. This can simplify the decision-making process.

An example for purchasing office equipment is given below. This organisation may be operating under a low-cost purchasing strategy, as price is given the highest rating of 3; efficiency and warranty, which affect operating costs, are the next most important and both rated 2; while quality is the least important and rated 1. Alternative two proves to be the best choice, although its initial price is the highest of the three.

This example shows how weightings can make a difference to the final recommendation.

Criterion	Weighting	Alternative one		Alternative two		Alternative three	
		Score	Weighted score	Score	Weighted score	Score	Weighted score
Price	3	10	30	7	21	8	24
Quality	1	5	5	10	10	6	6
Efficiency	2	6	12	7	14	4	8
Warranty	2	7	14	9	18	6	12
Total weighted score			61		63		50

Place your orders

After the supplier selection has been made and the approval process is complete, a firm order should be placed with the successful supplier. In most circumstances, this is the signal to the supplier to commence work on the product or service. Until this point, because the purchase may not have been fully approved, the supplier had no authority to proceed and no confirmation that they would be paid for the work.

A firm order is a commitment from the purchasing organisation that it will purchase the product or service under the agreed terms and conditions, and generally requires both parties to agree to any change, often with a fixed notice period.

If there are any special conditions related to the purchase, for example, a discount that is available providing the purchase is made by a certain time, it is helpful to confirm this in writing at the time of placing the order.

Here is more information about placing orders.

Supplier order form

Some suppliers may only process orders if they are submitted on their own paperwork. This is most likely for suppliers that have a large, detailed product range and want to ensure the correct product is supplied. They may require one of their forms to be completed. This will not replace the paperwork required within your own organisation. For example, you may need to complete a custom order form for a particular stationery supplier, but you still need to complete your own organisation's stationery requisition form, which outlines the total expenditure and provides for the appropriate approvals. You can attach a copy of the supplier purchase order to this requisition to avoid duplicating the paperwork, but it must not be sent to the supplier until the approval process is complete.

Online order

Some systems allow you to submit an order online. This can be very convenient and very cost effective for the supplier, as the order details can be transferred directly to their system without having to be processed again by the supplier.
If you are processing an online order, ensure that you receive a record of the details of the order, whether it is emailed to you in confirmation or as something you can download or print from the system.

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Purchase order form

Your organisation may have a customised purchase order form that is completed with the details of the purchase. You may choose to refer to the purchasing specification, providing it is updated with any changes, use the supplier product codes, or provide a brief description of the product or service. Purchase order forms often double as the approval document within your organisation and need to be completed with financial details and supplier information. Copies of these forms should be distributed to the requisitioner, the buyer, accounts and the supplier, or as required by your purchasing policies and procedures.

Customised system

Depending on the size of your organisation and the frequency with which orders are placed, you may have an electronic system that transfers orders from your organisation to the supplier. For example, if the supplier replenishes stock to a warehouse, you may have a system that indicates when a reorder point is reached and triggers a replacement order to the supplier. These automatic systems usually have a manual review process and must be approved by an authorised employee. Such systems can only operate if the price is agreed in advance; for example, on a blanket purchase order set up as part of an ongoing supplier agreement.

Standing order

Your organisation may have a regular requirement for the same amount of a particular product; for example, office or kitchen supplies. It can be simplest to advise a supplier to send the same amount of office paper every month unless they are notified otherwise. Most suppliers request advance notice of a change to the order volume. In general, once a firm order is placed, the supplier is not obliged to meet a request to reduce it without an agreed amount of notice. This is more likely for customised products, such as inputs to production, than for standard products, such as office supplies that can be sold to other customers.

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Transmit the order

There are several methods of transferring an order to a supplier, regardless of what form the order takes. You may post, fax, email or phone an order to a supplier.

It is important, however, to have a written copy of any order for both your records and your supplier. Even if you phone through an order after receiving approval, you should always follow up with written documentation.

This will be required for checking stock or services when they are received, reconciling invoices as they are submitted and also in the event of any future concern or dispute.

Purchase with integrity

Making purchases on behalf of your organisation is a significant responsibility. Your work to secure the best possible arrangement for your organisation can make a significant difference.

Whenever purchasing for your organisation, make sure that you act with integrity and in the best interests of your organisation.

There may be times when you need to make recommendations that cause temporary inconvenience; for example, you may feel that none of the suppliers who responded to a tender have an appropriate solution for your purchasing requirement. It is your responsibility to inform the requisitioner of this concern and perhaps to recommend re-tendering the product. This may not be immediately popular, but it is important that you make recommendations in the long-term interests of your organisation.

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Example: a purchase order

Here is an example of a purchase order.

To: Safe and Secure Shelving 123 Factory Square Productionville 1234			Purchase order number: 57298
Ship to: Best Electrical Warehouse Drive Retail Centre 9876			
Units	Product description	Unit price	Total price
6	Galvanised shelves	$250	$1,500
Product code ABC 456			
8 hours	Fitment and installation	$120/hour	$960
GST Total including GST			$246 $2,706
Requisitioner:		Tasy Nichols	Phone: X 5678
Buyer:		Susanne Netherton	Phone: X 8901
Approved:	Requesting department manager		
Purchasing			
Finance			
Budget centre	XZY 467		
Account	JKL 234		
Standard Best Electrical terms and conditions apply.			
Copies: white to supplier; blue to buyer; pink to requisitioner; green to finance			

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Practice task 7

Read the case study, then answer the questions that follow.

Case study

Margaret is organising the staff Christmas party. The general manager has agreed to host the party at his home since he has a large garden, but has asked Margaret to find the caterers and also to rent a marquee, chairs and tables. He has set a budget for the event of $8,000 for 50 employees and their partners.

1. Where could Margaret get information about appropriate caterers and hire equipment?

2. What could she choose as her selection criteria?

3. How should she prioritise these criteria and why do you think so?

4. What other factors could be important?

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Summary

1. Purchasing specifications are developed by the requisitioner of a product or service and they provide detailed information about the requirement so that a supplier may provide a full and accurate quotation.
2. Different purchasing methods are used by organisations at different times. Financial limits may exist for each method and buyers should use their judgment while acting within the purchasing procedures.
3. Requesting quotes from suppliers, whether from an existing approved supplier or as part of a competitive tender, is a key part of the purchasing process.
4. Competitive tenders must treat all suppliers equally and protect the confidentiality of each supplier.
5. Full approval, as required by the organisation's purchasing procedures, must be secured before placing a firm order with the supplier. Unauthorised commitments can have disciplinary consequences for the employee and financial or legal consequences for the organisation.
6. Choose a supplier who best satisfies the overall requirement for the organisation. Assess products or services against clear, prioritised selection criteria, but also consider the supplier and how they fit with your organisation's needs.

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Learning checkpoint 2
Make purchases

This learning checkpoint allows you to review your skills and knowledge in making purchases.

Part A

1. What requirements are commonly specified in a purchasing specification document?

2. List at least five strategies for communicating technical requirements clearly when you are writing a purchasing specification.

3. If you needed to purchase a customised item, how would the product specification that you write reflect this? What should you do if you are processing a product specification for something unusual that was written by somebody else?

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4. Why is it standard practice to supply purchasing specifications and accept quotations in writing, rather than verbally?

5. What information should a requisitioner include on a purchase order and what documents should they supply with a purchase order?

6. Compare using a credit card with setting up an account for purchasing goods or services. What are the advantages of each and when might each be a suitable purchasing method?

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Part B

Read the case study, then answer the questions that follow.

Case study

Jane is an office manager for a computer sales company. For some time, she has been frustrated with their current office stationery supplier. Their deliveries are often delayed because they are out of stock of common products, they do not cooperate with her requests to reference the requisition numbers on invoices and they have accepted telephone orders from junior staff without appropriate documentation or approvals, which has caused problems with reconciling invoices. She speaks to Ralph, her organisation's purchasing officer, and asks if she can change suppliers. Ralph explains that she needs to provide the current supplier with two months' notice, since this is part of their supplier agreement, but suggests that she use the time to develop a detailed purchasing specification that he can circulate to other suppliers, so that they are ready to start with a new supplier when the current contract expires.

1. Help Jane develop a purchasing specification. What should she include? In addition to pricing information for commonly supplied products like paper, pens, folders and other stationery products, what other information could she request? What information should she provide about her company?

2. What information could Ralph use to choose suppliers to participate in the tender? Where could he get this information? Would you invite the current supplier to participate? Why or why not?

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3. Develop selection criteria that Jane and Ralph could use to assess the responses from suppliers. What would assist them to prioritise these criteria?

4. Once Jane and Ralph have agreed on a recommended supplier, what should they do next? At what stage should they notify the successful supplier? What about the unsuccessful suppliers?

5. What approvals do you think would be required for changing the supplier? How would this be different for approving individual orders to this supplier? Why do you think so?

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6. Which purchasing method would you suggest for this supplier? Why?

7. What should Jane do if the current supplier asks her for feedback on their performance? What should she say if they ask why a new supplier has been chosen?

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Topic 3
Receive purchases

Receiving purchases of products or services requires that they are carefully checked to ensure what is received is what was ordered or specified by the purchasing organisation and it is in good working order. Providing the receipts are correct, the receiving personnel can complete the receiving procedures, including ensuring products are recorded as new stock or on the organisation's asset register.

Any errors with the receipt should also be carefully recorded to ensure that payments reflect what was actually received, where this is different from what was ordered. Recording also allows organisations to monitor errors and identify improvement opportunities. Notifying affected personnel of non-compliance helps ensure that corrective and preventive actions are taken.

The receiving process creates many of the purchasing records required for financial records and official reporting requirements. These records must be carefully maintained so that they can be easily retrieved when they are required.

In this topic you will learn how to:

3A Receive goods and services

3B Advise relevant personnel when purchases are received

3C Check goods comply with specifications

3D Take action to fix noncompliance

3E Facilitate registration of new assets

3F File and store purchasing records

3A Receive goods and services

The first step in processing the delivery of goods or services that have been purchased is to verify the receipt against the order. Most organisations have policies and procedures governing the receipt of products and services. Not only does this ensure that the organisation has received what it paid for, but it is also an important part of managing stock and inventory levels, particularly for physical goods.

When products or services are received, they should be checked against the order or the purchasing specification to ensure that they are correct. This requires some knowledge of both the original order and the organisation's receiving policies and procedures. It is therefore best to designate particular employees who are trained in these policies and procedures to receive products and services.

Delegate sign-off authority

In a small organisation, the receptionist may sign for a delivery if the requisitioner is away, so that a courier can leave. In this situation, it is important that the receptionist ensures the parcel is handed to the appropriate employee as soon as possible. They should confirm that the person is actually available to receive the product then or later in the day, so that it does not remain unattended in their absence.

A record should also be retained in the event of a future dispute about whether the goods were accepted.

Delegating signing authority can assist with receipt of deliveries when key personnel are absent.

Here is more about delegating signing authority.

Common ways of delegating signing authority
• Ask permission from your alternative authority before delegating. This prevents them from being taken by surprise and means you can confirm they will be available at the time. • Notify all employees in a work area that another person has been authorised to sign for receipts in your absence; for example, by sending a group email. • Ask the authorised person's manager or supervisor to authorise the receipt. • Establish a permanent alternative authority; for example, two members of a team may be authorised to sign for receipts so that in the absence of one, the other has authority.

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Verify receipt against order

Once the product or service has been received by the appropriate person, it is important to verify that this matches the order or purchasing specification. Most suppliers accept returns if the order is incorrect, but this may only be allowed for a certain period of time; for example, the purchasing organisation may only have 48 hours from the time of receipt to return incorrect goods to the supplier.

Here are some examples of checks that may be required when verifying receipt against order.

Check destination
Check the destination is correct Deliveries should be clearly labelled with the name of the purchasing organisation. If this is not your organisation, then you should notify the delivery agent (usually a courier) as soon as possible. As this is a relatively quick check, it is best performed before signing for the delivery.

Check against order
Check the goods against the order For orders of more than a few items, this check must usually wait until after the delivery agent has left. Depending on the structure of your organisation, this may or may not be done by the person who placed the order. For example, an analyst may process orders for replacement stock, but the receiving staff in the warehouse may check it before it is put away. Providing the receiving staff can access the order details, either electronically or by paper record, this task can be done by any appropriately trained person.

Check for damage
Check goods are undamaged and in working order Goods should be checked for damage that may have occurred either at the supplier or in transit. Your organisation may require a different level of checking for different types of goods. For some goods, a simple visual inspection may suffice. For more expensive or high-technology goods, it may be appropriate to conduct a test; for example, with some electrical goods. If you are testing the goods, it is important you understand how much usage the supplier will consider part of the test; otherwise it may not accept return of the goods if there is a fault.

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Receiving procedures

It is important that receiving procedures are performed quickly and accurately at the time of receipt.

Here are some examples of checks to perform in relation to receiving procedures.

Check services have been performed and completed

Checking services can be more difficult than checking goods for damage. For example, if you have hired an electrician to conduct a safety test, then you may not be able to see any change. In these circumstances, it is helpful to ask the provider for a written report and to conduct verification that you think is realistic and reasonable.

For some other services, such as engaging training personnel, it may be sufficient to check attendance registers or speak with the attendees.

Confirm all obligations have been met

This confirmation may be conducted by different personnel depending on the type of order. For example, if the order is for goods against a blanket order or under a supplier agreement, then the receiving staff may be able to confirm all obligations for that particular order.

For more unusual orders or for customised goods or services, the buyer or requisitioner may complete this task.

Complete all necessary documentation

Most delivery agents require some authority before they leave the premises; for example, they may ask the receiving personnel to sign a delivery sheet or receipt document.

After the delivery has been checked against the order, the receiving personnel should complete the appropriate paperwork. This may simply be marking off the invoice as each item is checked or it may require updates to an electronic ordering system, depending on the system in place at your organisation.

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Discrepancies

If the receiving process reveals that an order is either incomplete or incorrect, claims must be processed against the supplier to correct the error. Discrepancies between the order and the receipt should be clearly documented.

The receiving personnel should complete a claim for any damaged or missing goods, or paperwork for the return of any goods sent in error. These documents may be unique to each supplier or your organisation may use standard documents for every supplier. They may be processed electronically as the order is checked.

Here are some examples of what the person receiving the incomplete or incorrect shipment must deal with.

Accept order

If the order is incomplete, receiving personnel need to decide whether the order should be returned completely or whether the partial shipment can be accepted.

If the order is for a large number of different, separate products, receiving procedures usually allow acceptance of part of the order. This prevents unnecessary delays in receiving the correct goods, and unnecessary expense and inconvenience in returning correct goods.

Record appropriately

To ensure stock records remain accurate, it is important that any missing goods are not wrongly recorded as having been received. For example, there may be an electronic system that automatically accepts an order and books it into stock. Receiving personnel should ensure that this is updated to reflect any missing stock in order to avoid errors in stock on hand and problems during stocktake.

Inform buyer

If a supplier has not met their obligations, then the receiving personnel, or whoever notices the discrepancy, should notify the buyer or purchasing officer as soon as possible. In general, it is most appropriate for the buyer or purchasing officer to raise this with the supplier, as they have the formal commercial relationship.

The receiving policies and procedures may authorise receiving personnel to handle claims up to a certain value or volume. The buyer or purchasing officer is usually responsible for broader, more commercial concerns. If discrepancies are consistent or are of particularly high value, then receiving personnel should ask the buyer to help them address these concerns.

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Create records

Accurate records are an important part of business. Records about received products and services are used for financial processes; for example, for ensuring that suppliers are not paid for missing stock and for maintaining correct information about inventory. If the inventory information is incorrect, then the purchasing organisation may be unable to fulfil a commitment to ship a product or complete a service.

Receiving personnel should ensure that all paperwork relating to an order is filed according to the organisation's receiving policies and procedures. In some organisations, this may mean matching the paperwork from the order with the delivery documents and providing them to the accounts department before the invoice is paid. In other organisations, this may require updating electronic records or a combination of both procedures.

You should ensure that you are familiar with the procedures at your organisation, so that you can complete them if required or you can access the information if you need it.

Forward receipts to others

You may need to forward goods to others in your organisation. This can be as straightforward as taking the product to their work area when it is received. However, for a large volume of goods or for goods of high value, you may need to complete a record of transfer. This helps to protect the organisation against theft and stock discrepancies.

Steps must be taken to ensure that the intended person actually receives the product. It can be tempting to leave the product on someone's desk if they are absent. However, if you do not know the value of the product or you suspect it may be of high value, it is best to leave them a message that you have received the delivery on their behalf and ask them to see you to collect it.

You may be required to advise other personnel in the organisation that a delivery has been received, even if they do not require physical possession of it. For example, you may need to notify accounts payable that an order has been received so that they can approve the invoice. Alternatively, someone in sales may be waiting for news of a delivery so that they can notify or ship it to a customer.

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Example: account for missing and damaged goods

Rachel is an administrative supervisor for a management consultancy firm. One Tuesday, she receives delivery of the firm's regular stationery order. As she puts each item into the stationery cupboard, she marks it off against her order form. As she does so, she notices that the clips on one of the binders she ordered are damaged and she also identifies three missing items.

She calls her contact at the supplier and advises them of these concerns. They assign her a claim number and instruct her to complete the claim form on their website. Rachel asks them to confirm that her organisation will not be charged for the missing and damaged items, and marks up the invoice before sending it to the finance department for processing.

Rachel logs onto the supplier's website and submits the claim form. She prints a copy for her records, as well as one for the purchasing officer, and adds the missing items and the binder to her reorder list, so that she will receive them next time.

She also advises the buyer of the problem, so that they understand the supplier's performance history, and finance, to ensure that the payments are made accurately.

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Practice task 8

Read the case study, then answer the questions that follow.

Case study

Thomas is walking past the foyer when he notices a delivery person waiting. The receptionist is not available, so he asks if he can help. The delivery person asks him to sign for a delivery of marketing materials for the sales manager. Thomas works in finance, but signs for the delivery and leaves the marketing materials on the sales manager's desk.

The next day Petra, a sales coordinator, rings the printers, concerned that the marketing materials have not arrived, as they need to be dispatched to the regional offices quickly. The printer advises that they were delivered the day before and contacts the delivery company to confirm. Finally, after a lot of confusion, Petra realises that Thomas received them and figures out that he left them on the sales manager's desk.

Unfortunately, the sales manager has been away since yesterday, so she did not know they had been received. When she opens the box, she realises they have received materials for another customer, so there must have been a mix-up at the printer.

When Petra speaks with the printer, she realises that the organisation will have to spend more money on the purchase, as the materials will need to be delivered separately to each regional office to get them there quickly. They won't be able to be distributed from head office by internal mail as originally planned.

... continued

... continued

1. What do you think went wrong here? Identify what Thomas could have done differently to help reduce the inconvenience from this situation. Is there anything Petra could have done differently?

2. What difference could it have made if the error had been identified when the delivery was first made? Why?

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3B Advise relevant personnel when purchases are received

When receiving products and services, there are often several areas of the organisation that may be affected. It is important to notify these areas when purchases are received, so that they can complete their own related procedures.

If you are an authorised person to receive a delivery, then you should have received training about standard procedures, such as notifying accounts payable so that an invoice can be processed.

However, there may also be times when you need to notify other individuals that an order has been received. For example, the IT department may be urgently waiting to receive some spare parts from its supplier so that it can carry out a repair. As someone who receives deliveries, IT may notify you of the need to contact them.

Notify others

If you do not know who to notify of a particular delivery, try contacting the person the delivery is addressed to. If you cannot reach this person directly, then try to contact someone else in their area to make sure that they receive the message and the delivery, and to avoid any future confusion.

There may be different ways to notify different parts of the organisation. The method you choose may vary depending on the reason for notifying them. If it is part of the standard receiving procedure to notify accounts payable of a receipt, then formal documentation is usually required.

However, if you are notifying a user of an urgent delivery because of a special request, you may need to call them to collect it or even deliver it personally. Some notification methods are: formal documents, email notification, fax notification, phone or personal contact, and electronic systems.

Notification methods

Here is some information about methods that can be used to notify a person who has ordered goods that they have been delivered.

Formal documents

Invoices, delivery receipts, purchase orders and order forms are examples of formal documents that may be used to notify different areas of an organisation about the delivery status of a purchase. Some of these documents may have multiple copies, allowing you to circulate copies while keeping one for your records.

For example, accounts payable may receive a copy of a purchase order once it has been approved. The receiving area may forward a copy of a delivery receipt when a product arrives. Finally, when a supplier submits an invoice to the requisitioner, they will approve its payment and forward this approved copy to accounts payable, who will, in turn, reconcile all the documents before paying the invoice.

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Email notification

This is a more informal method of advising relevant personnel, yet it still provides a written record of the notification, if there is a concern in future. Email can be used to ask the requisitioner or user of a delivery to collect it. But email may not be appropriate if the delivery is urgently required, as there can be delays.

Fax notification

As with emails, faxes provide a written record of notification. Although less used nowadays, one advantage is that faxes can provide a copy of a formal document received from the supplier; for example, faxing a copy of the invoice to accounts payable provides them with a copy for their records, while the original is retained by either the requisitioner or the receiving area. Some organisations may require the original to be held by a particular area, so be sure you comply with your internal procedures.

Phone or personal contact

These are the best methods when a delivery is urgently required. If you cannot reach the person named on the delivery or you are not sure they are available, try to contact another person in their area who will take responsibility. It may be necessary to ask this person to sign for the delivery. This will depend on your organisation's procedures surrounding the internal movement of goods.

Electronic systems

Organisations that receive regular deliveries often have an electronic system that retains details of orders, receipts, stock on hand and so on. When these systems are in use, the receiving area updates them when stock has been received, and when it has been checked and released for use or sale to customers. Such systems are very convenient, because they provide information to all authorised users without the need for additional contact.

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Information to provide

Different areas of an organisation may need different information about the receipt of a purchase. For example, the buyer may only be interested in confirming that the order has been received and if there are any errors. Accounts payable, on the other hand, may require detailed information by line item, so that it can verify the invoice. Requisitions or users may need to be notified that the delivery has arrived so that they can verify the receipt against the order.

What is required depends on the person's reason for needing the information. If in doubt, consult your organisation's procedures or ask the person what they need to know.

Here are some examples of the different types of information you may be asked to provide.

Quantities received

Identify the quantities of each product received. Each product in the order will be labelled with an identifying name or product number.

For services, it may be appropriate to record units of time, numbers of people who attended or other such information.

Discrepancies

Record any products or services that have different quantities from those ordered. For example, there may be three missing items of a particular product or a service may have taken two hours more than quoted.

Damaged goods or incomplete services

Record any products that have arrived in damaged condition, including any indication of whether the products have been damaged in transit, if this is known.

If a service has not been properly completed (for example, there is still a fault after an electrician has completed the job), this should also be recorded.

Timing of delivery

Recording the time and date of delivery can be important in measuring supplier performance. This may help the buyer compile a report to submit to the supplier at a later date; for example, asking them to justify why their deliveries are often late. Without records, this information is often difficult to verify after the event.

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Example: delivery notification

This table provides some examples of who should be notified when a delivery is received and possible ways to notify them.

Who to notify	Why you need to notify them	Possible notification methods
Accounts payable	To facilitate payment of invoices	Approved copy of invoice, with any discrepancies noted; email notification; update to electronic records
Requisitioner	They may be the user of the product or service; may need to advise others to proceed with related actions	Email or phone notification; update to electronic records
Buyer/purchasing officer	To provide information about supplier performance or purchase status	Email or phone notification; update to electronic records
User of goods	They may be waiting for delivery; may be different from requisitioner or buyer, depending on your organisation structure; may need to advise others to proceed with related actions	Email or phone notification; update to electronic records

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Practice task 9

1. Why is it important to notify the user of a product or service that a delivery has been received?

2. How could you notify accounts payable that not all the products ordered have been received? Why is this important?

3. What could you do if a contractor took longer than the quoted and approved time to complete a service?

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3C Check goods comply with specifications

Verifying that products or services received are what has been ordered is an important part of the receiving process. Identifying any discrepancies early in the receiving process helps minimise the cost and inconvenience to both the purchasing organisation and the supplier.

Purchasing specifications provide detailed information about the purchasing organisation's requirements. One benefit of this is that a record exists in the event of a dispute.

Receiving the incorrect product when a purchase is delivered is an example of a common dispute. Whoever is checking the delivery can use the purchasing specification to confirm what should have been received and this can support their discussions with the supplier to seek either a refund or a replacement.

Check a delivery matches specifications

Complying with a purchasing specification means either supplying the products ordered or delivering the service as outlined in the specification. The receiving employee should check this before the products are booked into stock.

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, it is important to alert the buyer or purchasing officer of these kinds of concerns.

Here are some examples of methods of checking for discrepancies.

Product codes

Check that the product codes of the goods received are the same as those ordered. This may be a physical check against the order document or product specification, or an electronic method such as scanning barcodes.

Quantities

Check that the quantity of each product received matches the quantity ordered.

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Condition

Conduct a visual inspection of all products for any damage. For some high-value, technology products, there may be a testing procedure. This may be specific to the product, so check your organisation's procedures. You may have requested specific changes to a standard product, so verify 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 even less than the time noted in the original quote. If the number of hours claimed is higher than quoted, ensure you understand why and you secure any necessary approvals.

Deliverables

For some services, it may be more appropriate to check the outcome of the service than the time spent. You may have a check sheet summarising what should have been done or you may be able to check the outcome; for example, whether a computer is working again.

Example: standard warehouse procedures

How is an order checked on arrival in a warehouse? The following description illustrates what typically happens in a warehouse that employs a sophisticated system to check deliveries and account for and follow up discrepancies.

A large shipment of clothing arrives and Kerri, who works in the receiving area, counts the cartons, checks each one for damage and checks each address label. She notes that one carton is damaged, but a quick inspection of the contents shows there is no further damage within, so she signs the driver's delivery note.

Back inside, Kerri loads the consignment number into the computer system and then the items ordered against that consignment number change in status from 'on order' to 'at receiving'. A summary of each item is displayed and the quantities in which sizes that have been ordered from the supplier. She scans each item using a barcode scanner, so the system can identify it, and checks it against the order.

Once this is complete, she checks the report. One whole product line, a red jacket in various sizes, was not available from the supplier. She records this as 'not received' in the system and then approves the rest, which changes the status to 'received'.

Kerri then advises the warehouse supervisor that the received items can be put away. The supervisor updates the record so that the items show as being in stock or 'on hand'. Kerri looks up who ordered the stock and gives the buyer a call to notify them of the arrival of the shipment.

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Report on compliance issues

Having verified that the product or service complies with the purchasing specification or order documents, it is important to advise the appropriate personnel so that they can proceed with any related work.

For example, the accounts payable department need to be advised that an order was correctly received so that it can process payment. Users, buyers, marketing and sales may all need to know that products have been received before they can proceed with their work.

Depending on procedures at your organisation, it may be possible to just advise them that an order has been correctly received, rather than notifying them twice. This may also depend on how large a purchase is being processed.

Your organisation may have specific reporting mechanisms, depending on its core business and the type of product or service being received. Ensure you are aware of these procedures and follow them carefully.

Document receipts

Order documents, delivery notes and invoices are the most common documents used in the receiving process. They are important documents in an organisation's stock control process, which helps to maintain stock accuracy.

This also helps when reconciling invoices against order documents, which is a standard process when paying invoices. It is also helpful if there is any dispute with the supplier about what was received.

Here are some examples of what to do with purchasing documents.

Examples of what to do with purchasing documents
• Originals should be filed in accordance with your organisation's policies and procedures. • Copies may be sent to different parts of the organisation, including accounts payable, the requisitioner, the buyer and the receiving area, and also retained by the supplier. • Any discrepancies or non-conformance must be documented. This should be noted on receiving documents or in electronic stock records.

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Example: record missing items on a receiving document

The documents used will vary between organisations, but the table below shows some of the common elements. A consignment number is the number assigned to the whole order, while the product number relates to a specific product.

Receiving personnel may mark up any missing items on the original delivery note, which will form part of the overall record. They may choose to only identify non-compliant items.

Consignment	No: 67238	Page 1 of 4	
To: Fashion First, 123 Catwalk Street, Melrose Place			
From: Quality Streetwear, 678 Factory Road, Big City, China			
Quantity	**Product number**	**Size**	
30	1234565	8	Rec'd
30	1234565	10	Rec'd
80	1234565	12	Rec'd
80	1234565	14	Rec'd
40	1234565	16	Not rec'd
30	1234565	18	Rec'd
100	7893456	8	Rec'd
140	7893456	10	Rec'd
160	7893456	12	Rec'd
Copies: white to receiving; blue to requisitioner; pink to supplier; green to finance			

Practice task 10

Read the case study, then answer the questions that follow.

Case study

Kathy, who works in receiving at a clothing wholesaler, receives a parcel marked 'Sample – attention Martha'. She realises this must be a prototype of a new product, which Martha must check for quality levels before approving the product to be made in production volumes. Martha has sent Kathy an email advising that this parcel is expected and she needs to process it urgently, so she calls Martha to let her know it has arrived. Martha sounds relieved and says she will pick it up within the hour.

The warehouse's normal receiving process includes conducting an initial inspection for damage and quantity, checking the consignment number and scanning items so they can be checked by the computer system against the order recorded in the system. People elsewhere in the organisation have access to these records and can also monitor the delivery status of items.

... continued

... continued

1. Which of these receiving processes do you think still applies for receiving a prototype product?

2. Why do you think so?

3. What processes may not apply? Why not?

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3D Take action to fix non-compliance

The verification process may reveal that a purchase does not comply with the purchasing specification or order documents. It is important to advise any affected personnel of non-compliance.

Reporting requirements may vary. Some areas may not need to be advised of every successful purchase (since this is a standard business process) or of purchases with small or inconsequential errors. However, non-compliance usually needs to be addressed in some way, so there may be wider reporting requirements to accommodate this.

Different parts of the organisation may be affected by non-compliance in different ways. For example, if a supplier does not provide a product that has been advertised as part of a sales catalogue, then the organisation can be penalised for incorrect advertising. Suppliers should notify the buyer or stock analyst prior to sending an incomplete shipment, but it is important to check what has been received so that action can be taken to fix any non-compliance.

Who to report to

The same staff members that you advise when a purchase is received should be notified of any non-compliance, although for different reasons. As with notifying other areas of delivery, there are a number of ways you can notify them of non-compliance. Your organisation may have specific reporting mechanisms, depending on its core business and the type of product or service being received.

It is possible that some people, such as the buyer, only need to be notified in the case of non-compliance, while others, such as the user of the goods, may need to be notified regardless. Ensure you are aware of these procedures and follow them carefully.

Here are some methods of notifying noncompliance to people in the organisation.

Who to notify	Why you need to notify them	Possible notification methods
Accounts payable	To ensure the invoice is paid according to what is received, not what was ordered	Approved copy of invoice, with any discrepancies noted; email notification; update to electronic records
Requisitioner	They may be the user of the product or service; may need to advise others who are affected by noncompliance	Email or phone notification; update to electronic records
Buyer/purchasing officer	To provide feedback on supplier performance	Email or phone notification; update to electronic records
User of goods	They may be waiting for delivery; may need to advise others who are affected by noncompliance	Email or phone notification; update to electronic records

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Take corrective action

Errors in shipments are reasonably common. Most organisations develop a procedure to limit the inconvenience and cost that occur as a result; that is, they take corrective action to address these errors.

Two common errors are products missing from an order and incorrect stock being received.

Here is some information about taking corrective action in relation to missing or incorrect supply of stock.

Missing stock

If missing stock that was ordered is still required, then the appropriate corrective action is to contact the supplier to arrange for delivery as soon as possible. If this is urgently required, then a courier or special delivery may also need to be arranged. The supplier may agree to bear the expense if they accept responsibility for the missing stock. If not, you may need to seek approval to fund the extra delivery charge.

It may be that the products were part of a stock order that is not urgently required. If the supplier makes regular deliveries and there is sufficient stock to cope with usual demand levels until that time, it may be appropriate to receive the missing stock with the next order. In this case, it is important that records are updated so that the invoice for the current order does not include the missing stock; otherwise it will be paid for twice. Accounts payable should be notified, either using an electronic stock system, email or an updated copy of the formal documents.

Incorrect stock

If a product is incorrectly received, then in most cases it needs to be returned to the supplier. The supplier may send someone to collect the product or collect it next time they make a delivery. Regardless, the stock needs to be stored somewhere where it is clear to all employees that it is quarantined and is not to be put into stock or used for other purposes.

Some organisations have a designated quarantine area for stock that is not to be used for a variety of reasons. If so, incorrectly received stock should be stored in this area, with the appropriate documents explaining why it is there and when it will be collected. If there is not a quarantine area, ensure that the product is safely stored and labelled in such a way that someone does not use it or put it away.

For incorrect stock that will be returned, the receiving personnel should ensure the delivery documents are updated so that the organisation will not be charged. The supplier may reissue the invoice without the incorrect items. Alternatively, they may ask that the invoice is paid in full and that the receiving organisation submits a claim for a refund. Which procedure is followed will depend on the organisation. You should ensure that you follow the agreed procedure and your organisation does not pay for products it has returned. If in doubt, consult the buyer or the accounts department for guidance.

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Review and rectification process

It is reasonable to expect a certain number of errors in purchasing and dispatch. Orders are compiled by individuals, who can make mistakes. However, some suppliers may have more errors than others. There may be underlying causes that, if corrected, could help reduce errors in shipment and save both organisations time and money.

Regularly reviewing the errors made is a good way to identify trends and improvement opportunities. Establishing a concerns register is one way to do this. A concerns register is a document that summarises key information about any errors or issues with shipment or other aspects of the business.

Systematically recording key data allows for simple analysis of the common elements. This analysis can help identify an underlying cause, which in turn can help suggest appropriate preventive action, which should eliminate or reduce recurrences of the concern.

Information that can be recorded about possible concerns includes:

- supplier
- receiving employee
- type of product and number of products in order
- day of order
- buyer and requisitioner
- type of error (missing stock, incorrect stock, etc.) and number of errors in order
- special order type and customer order type
- total number of orders that day.

Concerns register

Almost any information that may be relevant to understanding the cause of a concern can be recorded in a concerns register. A system or template for recording information can reduce the workload impact of recording this information.

Analyse and review this data regularly to help establish trends and take appropriate preventive action. For example, does one supplier have a higher incidence of errors? Is this because they have a large number of orders or is it because their error rate is particularly high? If so, perhaps reviewing shipment procedures at this supplier would be helpful.

Where appropriate, provide feedback to employees who are collecting the data about the results of the analysis. For example, if a supplier changes the procedures as a result of identifying common concerns, this can help motivate employees to keep collecting data.

Monitor preventive action

Once a particular preventive action has been identified and implemented, it is important to monitor its impact. For example, if a supplier changes their shipment process because they have been informed of your organisation's concerns, monitor their deliveries from then on to see whether errors are reduced. The results of the monitoring should also be passed onto the supplier.

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Improvement actions can be implemented even when there is not a known concern. For example, an employee may see that the receiving process is completed more quickly when two people work together.

Suggestion schemes are commonly used to encourage employees to provide input into how to improve their work processes. As the people most involved with the daily processes, operational employees are often the best suited to identifying opportunity.

Suggestion schemes and regular analysis of concerns are just two examples of methods that some firms use as part of a continuous improvement methodology. This is a management approach that focuses on constantly introducing small changes to any process. It aims to reduce the errors and waste in a process. This usually results in reduced workload, reduced cost and improved employee and customer satisfaction. Continuous improvement can be applied in all areas of the workplace.

Practice task 11

Consider your workplace or one you know well. How are products and services received in the organisation? What happens when a purchase does not comply with specifications? Who must be notified?

Alternatively, if you are not working or do not have access to an example workplace, outline what you think an appropriate procedure could be if a delivery of food for a restaurant, which has been left before the restaurant opens for business, includes fish that was not ordered and is missing several ingredients that must be served that night.

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3E Facilitate registration of new assets

Assets are anything owned by an organisation that has value. They are usually something that provides a benefit over a reasonably long period of time.

Assets include:

- current assets, such as money due from customers or other debtors (accounts receivable), cash investments, stock and materials
- fixed assets, such as building or machinery
- intangible assets, which are not easily valued or physically held, such as intellectual property, patents and goodwill
- net assets (the difference between the total assets held by an organisation and its total liabilities).

Asset register

Assets are listed on an organisation's balance sheet. It is important to monitor what assets are held by an organisation at any point in time for accountability, probity, transparency and risk management.

Organisations therefore maintain an asset register, which should be updated when any new assets are purchased. An asset register is a detailed record of the assets held by an organisation and usually provides key information about each asset.

Asset registers are a requirement of accounting procedures and also of financial policies and procedures in your organisation. In addition, they provide a useful record for insurance purposes.

Organisations may have different requirements for recording the details of assets, depending on their value or their categorisation. For example, the financial procedures may state that only assets worth over $1,000 should be included in the asset register. Many organisations only record fixed assets in their asset register, while current assets and intangible assets are recorded elsewhere.

Your organisation may have specific requirements about what should be recorded in the asset register. Consult your financial workplace procedures, your supervisor or your finance representative for assistance.

Register assets

Organisations must report their financial position on an annual basis and sometimes more frequently. The balance sheet is an important financial document that summarises the total assets and total liabilities held by an organisation at a particular point. Therefore, an organisation needs to maintain accurate records about its assets, including an asset register.

To help them comply with financial reporting requirements, organisations develop workplace policies and procedures about recording and registering assets.

Here are some examples of records that can help the financial team develop a summary of the organisation's position.

Stocktake procedures

Most organisations conduct a stocktake at least annually. This is a process where assets are physically checked against the organisation's records to verify that the assets listed on the register still exist and that they match their listed description and value.

Most of us are familiar with retail 'stocktake sales', which aim to reduce the stock on the shelves to the lowest possible level before it is verified for balance sheet purposes.

In some cases, stock is verified against inventory records, rather than an asset register. A similar exercise may be conducted in a warehouse on stock holdings or in an office on assets such as stationery.

Insurance benefits

Organisations hold insurance policies that cover most of the assets they hold. As assets are acquired and sold, the amount of insurance required may vary. An asset register can also be used to provide a summary to the organisation's insurer.

Some policies require assets to be specifically covered, while others may adopt a more general approach. An up-to-date register, which can be periodically provided to the insurance company, helps prevent duplication of work and also ensures the insurance is accurate and current. This helps provide asset security to the organisation.

Legal requirements

The information in an asset register can be used to provide information to third parties. For example, financial records are be used to submit tax assessments and an asset register may be provided to an insurance company.

A representative of your organisation will be required to declare that the information they submit as part of these requirements is true and accurate. If this is later found to be false (for example, during an audit or as part of an insurance claim), it can have grave consequences for the organisation, the individual who submitted the declaration and the person who compiled the information on the register.

Therefore it is important that, to the best of your knowledge, you complete the asset register accurately and faithfully. If you are not certain of the terms used in the asset register, seek clarification from someone in your organisation.

Follow workplace guidelines to register assets

Your organisation will have procedures governing how assets should be registered in the asset register, which may vary depending on the type of assets held by your organisation and their value.

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For example, a large manufacturer may only require assets worth over $5,000 to be registered, whereas a small consultancy firm may require all assets worth over $1,000 to be registered.

Your organisation may require you to submit key information about the asset online, so that it is automatically entered into a central database. Alternatively, you may need to complete a standard form. Your supervisor or finance manager should be able to assist you with completing the asset register.

The organisation's structure may also affect what you are required to do to register assets.

Here is more about how to register assets.

Ways that assets can be registered
• The requisitioner or purchaser provides key information about the asset to the finance area, which then completes the register. • The finance area completes the register when the invoice is processed, according to the details on the purchase order. • The requisitioner or purchaser completes the register according to the workplace procedure.

Register assets

An asset register may include key information relating to the identity and purchase of the item, and information about its value and its disposal.

Here are some examples of key information about the purchase of an asset to be included in an asset register.

Description
A brief outline of the asset, including item name, make, model and manufacturer

Supplier
Details of the supplier, including contact information where relevant

Warranty information
Period of warranty, any key exclusions, general coverage information

Unique identifying number
A unique number that should be listed on all documentation related to that asset and also fixed to the asset itself

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Purchase date
The date when the asset was purchased

Custodian
Who is responsible for the asset within the organisation; this may be either the name of an individual or a position title

Funding information
May include whether any grants were used to purchase the asset or the budget centre information if organisational funds were used

Further information for an asset register

An asset register may include information about the value of an asset and the disposal of the asset, as shown below.

Asset's value

Several items relating to an asset's value may be required in an asset register.

- The purchase value of the asset: this may include any other valuations; for example, a property may increase in value over time. Accounting procedures govern which value is used.
- Accumulated depreciation: this is an accounting value applied to the asset over its depreciable life, usually calculated by multiplying the asset value by the assigned depreciation rate over the relevant number of years.
- Written-down value: this is an accounting value calculated by subtracting the accumulated depreciation from the asset value.
- Depreciation date: this is a date set by the financial procedures (in order to calculate the annual depreciation) for when the asset value will be nil.

Disposal of asset

- Disposal date: this is the date that the asset is scheduled to be removed from service. This may also record the actual date of disposal.
- Disposal method: this is the details of disposal, such as trade-in, sale, exchange or donation.
- Disposal receipts: this is the amount received for the asset. Financial procedures may require formal documentation of disposal, such as receipts from the new owner and other formal records.

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Example: asset register

	(Name)
Asset location:	**(Address)**

Asset ID number (unique no.)	**Asset description** (item) (make) (model)	**Asset serial number** (as given)	**Supplier** (name) (address)	**Asset custodian** (Officer title)

Asset ID number (unique no.)	**Purchase date**	**Asset value $**	**Department funds used $**	**Financial year of funding**	**Department program**	**Accumulated depreciation $**	**Written-down value $**	**Dep'n date**

Asset ID number (unique no.)	**Disposal date**	**Disposal method** (sale by public tender) (sale by public auction) (theft) etc.	**Disposal receipts $**

Practice task 12

Consider your organisation or an organisation you are familiar with.

1. What must be done to record details of new assets?

... continued

... continued

2. Are there different procedures for assets of different type or value?

3. What are the differences?

4. Why are the details of new assets recorded? What principles are behind recording the details of assets?

5. Identify the person or role that carries out each action and where information is stored for each action.

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3F File and store purchasing records

Purchase records are important documents that are required for financial audits and in order to compile formal financial reports. They are also useful in the event of a query or dispute with a supplier and may be required when making a claim under warranty or insurance.

It is therefore critical that purchase records are filed and stored according to the organisation's standard procedures, in a methodical manner, so that they can be accessed by any authorised employee. You need to know which purchasing records an organisation requires, where they should be filed and what information is held in each type of record.

Purchase records

Different purchasing methods and different transactions create different types of purchasing records. Records are kept in financial files, requisitioner or purchaser files, receiver files or supplier files. Multiple copies of some documents may be required and some records are held in more than one place.

Here is some information about common types of purchasing records that are generally filed in the requisitioner's or purchaser's files.

Records for requisitioner or purchaser files

Approvals document

This record holds a summary of requirements, summary of tender responses (where available) and approvals.

Delivery note

This includes: date of supply, item description, number of items, any notes made. Can be held in receiver files.

Purchase order

This includes: purchase order number, outline of purchase, item value, tax details, delivery information, terms and conditions of supply, budget centre information, approvals.

Purchase specifications

These include: detailed description of requirements as provided to supplier.

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Quotation

This includes: detailed response on pricing and supply conditions, tax information, timing for quote validity.

Record of supplier performance

Details can include errors in orders, delivery issues and damage or service problems.

Purchase records for financial files

Here are some examples of financial files and documents that may be kept in the organisation's financial files.

Corporate credit card transaction documents

These should be filed by credit card holder or credit card type and include details such as date, value, supplier and description.

Invoices, statements and payment requests

These can be filed by supplier, purchase category or date. Details include date, value, supplier, description, tax details and total value.

Petty cash vouchers

These are filed by date and include date, value and description.

Receipts

These are filed by supplier, purchase category or date. Details include date payment received, outline of purchase, value, payment method and supplier information.

Purchase orders

These may be held in financial files, as well as files of purchaser or requisitioner and supplier.

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File purchase records

Where purchase records are filed depends on the record, its originator and the purpose for retaining it. In general, financial records should be held together, as they may be required for formal financial reports or audits.

Purchase records include credit card statements, invoices, receipts and petty cash vouchers. Records are kept for different purposes, audiences and lengths of time.

Here is some information about filing purchase records.

Multiple copies

Some purchase records, such as purchase orders, may be distributed to multiple areas of the business, as they are used for different purposes. The finance department retains the order for reconciliation against the invoice, to confirm that the invoice amount is consistent with the amount approved. The buyer or requisitioner retains the order as part of their approvals documents. The supplier retains a copy, as this is their formal authority to proceed with the order and will be required in the event of any payment queries or disputes.

General availability

Some documents may be held so that the information is available for general business requirements, rather than for financial records. Who maintains these documents depends on who may require the information. Either the buyer or the requisitioner may retain the purchasing specification, as they might wish to verify what was originally specified when the product is received or if a fault should arise. The supplier may retain a copy for the same reason. Quotations and approvals documents may be useful while the purchase is being finalised.

Length of time

Documents that are retained for general business requirements are generally held for less time than the formal financial documents. Tax regulations may require invoices and receipts to be held for a minimum period. The purchase specification may be archived once the purchase has been received and verified.

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Paper records

Whether you file records in electronic or paper format will depend on the record, your organisation and your own preferences. Some records, such as contracts, approvals and invoices, are best stored in their original format for legal reasons. However, a scanned copy of the original may suffice. You should review your work procedures to confirm whether originals must be kept.

When you are filing documents in hard copy, take a moment to consider the best place to store these paper documents. If they are documents you will use frequently or for work that is currently in progress, then it can be helpful to store them close to your workstation. You may choose to have an 'in progress' file that you then transfer to a more permanent file on a regular basis. The less frequently you need documents, the further away from your workstation they can be filed.

Some organisations store paper documents in a central archive. Generally, when submitting these documents you need to clearly indicate the period for which they should be retained.

Electronic records

Electronic records are generally more efficient and more secure than paper records. This is because they take up less physical space and they are more easily copied and backed up.

However, you need to be clear on the appropriate place in your organisation's file directory to store files and also need to give them appropriate names. Remember that naming methods must be consistent, simple and meaningful. Naming conventions help to identify and retrieve documents.

Your IT or computer support team can help you understand the best location for electronic storage of documents within your organisation.

Electronic files may be saved in several different ways, as outlined here.

Places to save

Where you store electronic copies will depend on several factors. For example, if the document is permitted to be reviewed by anyone in the organisation, then it can be stored on a common server or perhaps on the company intranet. If the document can only be reviewed by members of a certain department, it should be saved in a directory that is only accessible to those people.

Individual computers

Some people choose to store documents directly on their own computer, so that they are only visible to them. There are times when this is appropriate; however, it is generally a less secure way to store documents. This is because most organisations have a regular procedure to back up documents stored on a server.

Personal directory

Some organisations allocate a personal directory for each employee on the server. This is a more secure way of protecting documents.

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Maintain confidentiality

Security is an important part of maintaining purchase records. Some documents, such as purchasing specifications for future products or quotations from different suppliers, may be commercially sensitive. Regardless of whether these are stored in paper or electronic format, it is important to maintain confidentiality.

Paper records may be stored in a locked cupboard to protect confidentiality, while electronic records may be stored on a part of the network with limited access or may be password protected.

File purchase records

Filing documents involves identifying, classifying, archiving, preserving and destroying records. This applies to purchase records.

Here is information about how to file purchase records.

Steps in filing purchase records

1

Identify the document

Does it actually need to be retained? Some information needs to be kept for legal or tax reasons. Some files are retained for business purposes, in case they are needed in future. Some general working documents, however, may not need to be filed or may only need to be kept for a short time.

2

Classify the document

How will you or others look for this information? By date, category, name or number? Names for files should be clear so that someone can recognise what the content is without opening the file; for example, ‘Overdue notice 15/01/16’ clearly shows this is an overdue reminder sent on 15 January 2016.

3

Archive the document

Where will you keep the document? This will depend on who needs the information and how often. If it is required regularly by a range of people, then store it in a place with common access. If it is being kept for tax or legal reasons, it can be stored in a storeroom or archive area.

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4

Preserve the document

How long is the document required for? This may depend on the reason for recording the information. If it is for compliance reasons, guidelines determine how long it should be stored. If it is being retained for business purposes, you may need to exercise your judgment.

5

Destroy the document

When the document is no longer needed, it can be destroyed. Shredding documents is one way to prevent the release of confidential information.

Organisational requirements for filing purchase records

Your organisation may have guidelines for how to classify documents. If so, you should follow these guidelines. Where you are classifying documents yourself, however, aim to remain clear and consistent in your methods. This makes it easier to locate documents in future, which saves time.

For example, an overdue reminder might be filed as 'Client name/Correspondence/Overdue notice 16/01/2016'. Other sub-folders in this client's directory might also include Contracts, Invoices, Orders, Receipts and Proposals. Structuring electronic files in this way makes it easy for other users to identify the document they are searching for.

Whether a document is stored in paper or electronic format will depend on the organisation. Original copies are still required for some documents. In general, electronic filing is more efficient, as it can be easily backed up, saves on storage requirements and can reduce paper usage.

When uploading documents to an intranet site, you may be required to indicate how long the document should be displayed. You should confirm with your computer support team whether the file is to be deleted once this date is reached or stored elsewhere but no longer visible on the intranet.

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Review and dispose of documents

You may choose to review your documents periodically to determine whether they still need to be retained. This can vary considerably based on their subject and why they were filed in the first place.

Sometimes, there are storage capacity issues on common servers. In this case, it can be helpful to store some files that have not been accessed in some time but may be required in future on other storage devices such as external hard drives and the cloud. If you do this, ensure that you store a document on the main server listing those files and their locations. This will help anyone searching for the files in future.

Once the storage time lines have been met, dispose of the information. Ensure that you meet any confidentiality requirements when destroying documents. Some documents that contain personal customer information or other confidential information may need to be shredded before they can be recycled.

Regular review of documents for items that are no longer required is an important part of maintaining any filing system. This discipline can be hard to maintain in a busy work environment, but generally simplifies searching for documents and saves time in the long run if it is completed regularly.

Practice task 13

1. Consider your workplace or one you are familiar with. What workplace procedures govern how purchase documents are filed?

2. In your workplace or one you are familiar with, describe how invoices for a product that is supplied regularly are filed and for how long.

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... continued

3. Describe how you think invoices for regular deliveries of stationery could be filed.

4. Describe how this could differ from how purchase records for a new computer are filed.

5. Identify three aspects of filing and storing purchasing documents that may be affected by organisational procedures you must adhere to.

Summary

1. All purchase receipts, whether for products or services, should be verified against the details of the order by an appropriately authorised person.
2. Different areas should be notified of a purchase receipt, so that they can collect the delivery, complete work arising from the delivery or process financial transactions.
3. Receipts should be verified for compliance with orders or specifications in a timely and accurate manner, to ensure correct payment and facilitate return or exchange where required.
4. Any non-compliance should be recorded and reported to affected personnel, including the requisitioner, buyer and finance department, so that they can take the necessary corrective and preventive actions.
5. New assets worth over a certain value should be recorded in an asset register to facilitate creation of financial records and to maintain control over an organisation's assets.
6. Purchase records should be filed and retained for both financial and general business purposes.

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Learning checkpoint 3 Receive purchases

This learning checkpoint allows you to review your skills and knowledge in receiving purchases.

Part A

1. Why do organisations have policies and procedures concerning receiving of purchases?

2. What sequence of steps could you follow if you received a routine delivery of stationery and noticed that two items were missing? How would you prioritise receiving these items compared to other typical tasks of an employee with purchasing responsibilities?

3. Why would you choose to save purchasing documentation electronically and what should you keep in mind if you do?

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Part B

Read the case study, then answer the questions that follow.

Case study

Amy is a purchasing officer who has been coordinating an upgrade of computer equipment for her company, a chain of baby product supply stores. The 15 new computers are for head office staff and the managers at each of their five stores. She worked closely with Matthew, the IT manager, to develop the purchasing specification and review the quotations from potential suppliers. She notifies the warehouse supervisor, Marc, that delivery is expected this week and asks him to let her know when the equipment arrives.

The next day, Marc calls Amy and advises that he has received 30 cartons, one for each computer and each monitor. Each of the cartons matches the delivery note and the product identification numbers are correct. As this is not stock, Marc cannot book it in using his usual system.

Amy notifies Matthew that the new computers and monitors have arrived and asks him to begin installing the company software onto the machines before they are issued to staff.

Matthew begins to load the company software, but finds that several machines have problems with the operating system loaded by the supplier. He calls the supplier and explains the problem, then arranges for the affected machines to be collected and have the operating system reloaded. He also emails the supplier and confirms the details, copying Amy on the email. Matthew is frustrated because this will delay his roll-out, but it is important that the computers function correctly.

After having completed the roll-out, Matthew is ready to dispose of the old machines. When they approved the purchase of the equipment, management also approved delivery of the old machines to a computer recycler for a nominal fee. He contacts the selected recycler and arranges for them to collect the equipment.

1. Why is it important for Amy to be notified when the new computers are received? How should Marc let her know?

2. What could Amy do to verify the delivery against the specification order? How should she do this?

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3. Since the computers and monitors cannot be received into stock, how could Amy record that they have arrived? What information should be recorded? Who could be asked to do this?

4. What should Matthew do before he installs the software?

5. Why is it important for Matthew to provide the information to the supplier in writing? Why did he copy Amy on the email?

6. Is there anyone else who should be notified of the concern with the machines?

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7. Do you think Amy should have checked the status of the faulty machines with Matthew before forwarding the invoice to finance? Why or why not?

8. What are the purchase records that have been generated in this process? Where could they be filed and by whom?

9. What information should be recorded about the disposal of the old computer equipment? Where should this be recorded? Who could be asked to do this?

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