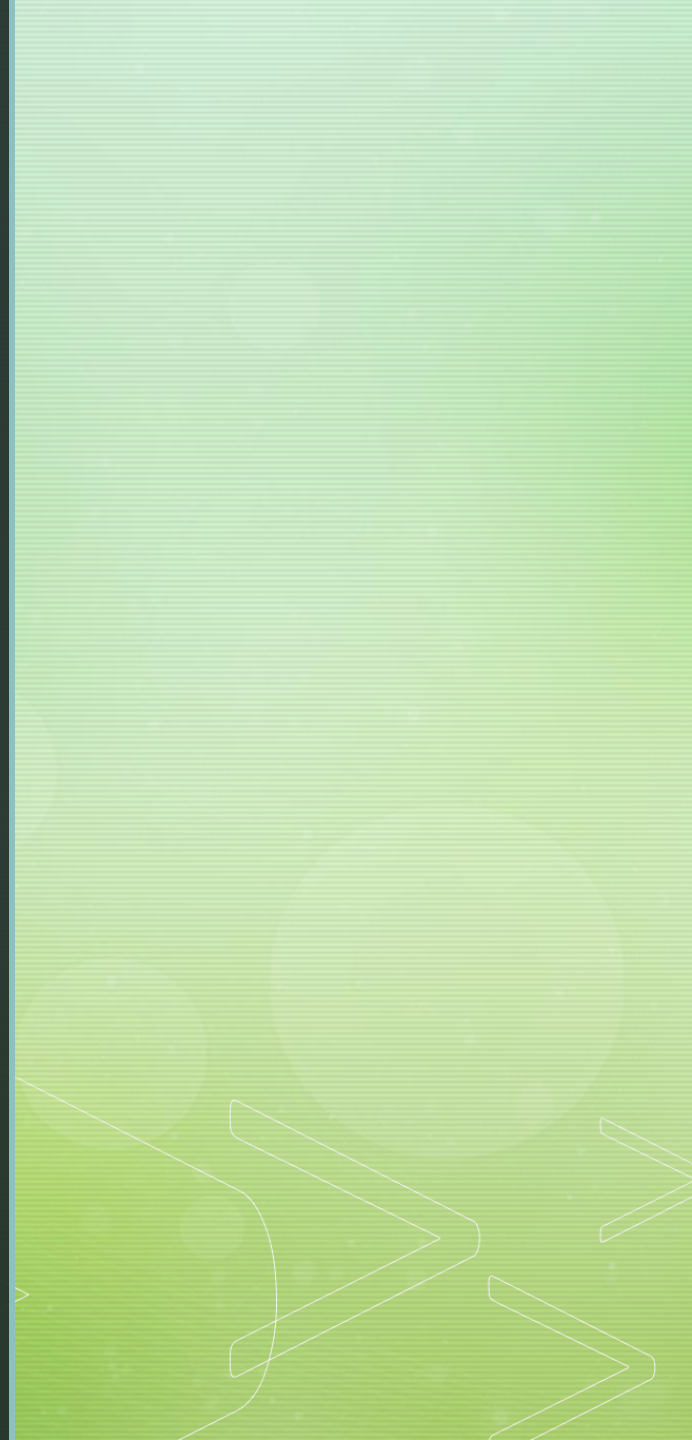


MATERIAL COST AND CONTROL



Purchase Of Materials



CENTRALIZED PURCHASING VS DECENTRALIZED PURCHASING

Advantages Of Centralized Purchasing

- Concentration Of Specialised And Expert Purchasing Staff
- Standardization Of Quality Of Raw Material
- Avoids Reckless Purchasing,
- Economies Of Scale
- Single Point Recording Of Purchase Transactions

Disadvantages Of Centralized Purchasing

- Higher Administration Costs
- Not Suitable For Plants Or Branches Located At Different Places

PURCHASE PROCEDURE

STEP 1: PURCHASE REQUISITION

XYZ CO. LTD
PURCHASE REQUISITION

Department..... No.
To be delivered at Date
..... Date required

Please purchase the items listed below:

Item No.	Quantity	Description and Code No.	Purpose

For use of purchase department only

Purchase order No. Requisition by
Supplier Approved by
Delivery date

Fig. 2.4: *Purchase Requisition*

PURCHASE PROCEDURE



STEP 2: Inviting Tenders and Selecting Suppliers

Guiding Principle:

To buy desired quality materials at lowest prices with due consideration to reliability of supplier and other terms of purchases.

PURCHASE PROCEDURE

STEP 3: Purchase Order and Follow Up

XYZ CO. LTD
PURCHASE ORDER

Supplier No.

..... Date

Please supply the following materials subject to the terms and conditions given on the reverse side of this purchase order:

Quantity	Description	Rate ₹	Amount ₹

Please quote Purchase Order No. on all advice notes and invoices.
Place of delivery
Date of delivery
Terms of payment

Purchase Manager

Fig. 2.5: Purchase Order

PURCHASE PROCEDURE

STEP 4: Receipt of Materials

2.19

XYZ CO. LTD
GOODS RECEIVED NOTE

Supplier No.
Advice Note No. Date
Purchase Order No.

Quantity	Description	No. of packages	Gross weight

Inspection report

Quantity passed	Quantity rejected	Reasons for rejection

Inspected by
Date.....

Received by
.....

Fig. 2.6: Goods Received Note

PURCHASE PROCEDURE



STEP 5 : Inspection and Testing of Materials

- Test of quality
- Preparation of Inspection Report and forwarding to purchase department.

PURCHASE PROCEDURE

STEP 6: Return of Rejected Materials

2.20

XYZ CO. LTD
DEBIT NOTE

To (Supplier) No.
..... Date

We are debiting your account with the value of under-mentioned materials for the reasons stated. Meanwhile we wait for your instructions.

Quantity	Description	Rate ₹	Amount ₹

Reasons
.....
.....

Date received
.....

Purchase Order No. Goods Received Note No.
...
Supplier's Invoice No. Signature

Fig. 2.7: Debit Note

Passing Invoices for Debit Note

PURCHASE PROCEDURE

STEP 7 : Passing Invoices for Payment.

Documents assembled in support of the invoice:

- Purchase Order
- Goods Received Note
- Inspection Report
- Debit Note
- Credit Note