

However, the
purchasing
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staffed with



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However, if this function is performed by the other managers of the same or different managerial hierarchy besides the purchase manager, and if a factory has a number of divisions or branches, and in each division there is a purchase manager, the purchasing function is said to be 'decentralised'.

Advantages of Centralized Purchasing:

1. The purchasing department can be staffed with highly paid officials who are experts in the art of purchasing the materials. Specialised knowledge and skill of these persons can be utilised. 2. When materials are purchased, favourable terms, e.

g., more trade discount or economies in transport can be obtained because the quantity involved will be large. 3. All records with regard to purchases are kept at one place under the supervision of the purchase officer.

This results in economy, both in compilation and consultation of records. 4. Centralised purchasing results in economy to a vendor because there is only one purchase officer to be dealt with, instead of many persons under decentralized purchasing. 5. Better control on purchasing is possible. There are chances of reckless buying when several persons are authorised to make purchases for their requirements.

Disadvantages of Centralised Purchasing:

1. There are chances of misunderstanding between the branch which requires the material and the purchasing department with the result that wrong purchases of materials can be made.

2. Centralised purchasing will cause delay because branches at different places will send their requirements to the purchasing department and the purchasing department will then look into their requirements and place the order for the purchase of materials. 3. In case of centralised purchasing, branches at different places cannot take advantage of localised purchasing. 4.

It will lead to high initial cost because a separate purchasing department for the purchase of materials is to be set up.