

The department and
those that are
sometimes assigned



**ASSIGN
BUSTER**

The purchasing function is usually performed most economically and efficiently by a specialised, centralised purchasing department, directed by a skilled purchasing manager. However, the purchasing function does not have to be performed in such a manner. In theory, it can be performed, and in practice, it sometimes is performed by any number of different company officers or departments. The functions of purchasing department are varied and wide which are based upon different approaches. The purchasing activities may be divided into those that are always assigned to the purchasing department and those that are sometimes assigned to some other department.

The followings are some of the important functions which are necessary to be performed. 1. Receiving indents 2. Assessment of demand or description of need 3. Selection of sources of supply 4. Receiving of quotation 5. Placing order 6. Making delivery at the proper time by following up the orders.

7. Verification of invoices 8. Inspection of incoming materials 9. Meeting transport requirements of incoming and outgoing materials 10. Maintaining purchasing records and files 11.

Reporting to top management 12. Developing coordination among other departments 13. Creating goodwill of the organisation in the eyes of the suppliers.

1. Receiving indents:

The first and foremost function of purchasing is receiving demand/requisition of material from different departments of the organisation, such as from production, stores, maintenance, administrative, drawing office, planning, <https://assignbuster.com/the-department-and-those-that-are-sometimes-assigned/>

tool room, packing, painting, heat treatment etc. After receiving the indent from users' departments it examines in details and takes action according to the need and urgency of any item.

This is called ' recognition of need'. Sometimes, needs can be met by transfer of a stock of one department to another department. In other cases, the reserve stock or the stocks kept in bank can be utilized i. e.

, pledged stock with bank.

2. Assessment of demand or description of need:

After recognising the need with appropriate description, i. e.

, qualitative as well as quantitative, is necessary for the sound and successful purchasing. An improperly described demand can cost heavily money-wise as well as time-wise. The real problem arises when the order is placed for want of preciseness in the description of goods needed, the items are received and these are not acceptable to the user department and it also becomes difficult to convince the suppliers to return the goods in case of faulty supplies. Therefore, purchasing department must have adequate knowledge of items being purchased to be able to secure full description. The purchasing department should not have such alternative purchases of commodities, which are not available easily, on their own responsibility or at a lower cost unless and until it gets the consent from the user department. In a nutshell, it is recommended that the description of items for purchase on the part of indenter, purchaser and seller should be quite clear and without ambiguity to promote harmony in an organisation.

3. Selection of sources of supply:

Most important function of a purchasing department or officer is the selection of the sources for the requisitioned items of stores. There are different sources of supply which have no similarity between them. For majority of items, selection of one of the vendors should be made. While selecting the item, the purchase officer has to see whether the item to be purchased is on a regular basis i. e., it is being purchased time and again or it is a seldom purchase on non-recurring basis. Whenever the items are to be bought from single manufacturer, such as branded or patented item, there is no difficulty in the selection of the sources of supply; the order can be placed with the party according to terms and conditions of their sale.

Selection of source of supply requires the services of shrewd purchasing officer who can keep pace with policies of the organisation and market from where the materials have to be purchased.

4. Receiving of quotation:

As soon as the purchase requisition is received in the purchase division, sources of supply will be located; a decision is then taken in respect of the method of tendering/limitation of quotations from prospective suppliers. Prices are also ascertained by preparing a comparative statement with the help of either of the following documents supplied either by the supplier or taken from the previous records of advertisements, like: (a) Catalogues, price lists etc. (b) Telephonic quotations. (c) Previous purchase records. (d) Quotation letter or tender i.

e., letter of inquiry. (e) Sample and related price cards. (f) Negotiation between suppliers and the purchase department like catalogue, price lists etc.

It is in the interest of purchasing department to keep this information up to date. Even for the items which are being purchased on a regular basis, the purchasing section should invite tenders and know full well the market price. It will ensure that prices being paid to the existing vendor are competitive.

5. Placing order:

Placing a purchase order is the next function of purchasing officer. Since purchase order is a legal binding between the two parties, it should always be accurate, clear and acceptable to both.

The purchase order should contain the following particulars: (a) Description and specifications of the material. (b) Quantity order. (c) Transport and packing charges and shipping instructions. (d) Name and address of the supplier. (e) Date, time and place of delivery. (f) Price, discount and terms of payment. (g) Signature of the purchase manager. (h) The name and address of the buyer.

6. Making delivery at the proper time by following up the orders:

Since one of the objectives of successful purchasing is delivery of goods at right time so as to ensure delivery when and where needed? In normal practice, the responsibility of the purchasing department is upto the time the material is received in the stores and is approved by the inspection department. Every purchasing department has the responsibility for follow-

up of the orders it places on different suppliers. All items do not require extensive follow-up. For some less important and low value items follow-up would be costly and wastage of money and time only.

7. Verification of invoices:

In normal course, it is also the responsibility of purchase department to check the invoices and accordingly advise the accounts department for clearing the payment to the parties concerned. Contradictory statements have been given as to who should be assigned this function. Some are of the view that invoices should be checked by the purchase department placed by it whereas other suggests that it should go to the accounting department. In support of this, the experts add that it is part of the responsibility of purchase department that orders are accurately executed and properly filled as per terms and conditions of the contract. If there is any error in the bills, the purchase department can get the correction done or adjustment effected.

If the invoices are checked by the stores or accounts departments, there may be some delay in attending to the errors.

8. Inspection of incoming materials:

The purchasing department should have a close contact with inspection department. On receipt of the materials from different suppliers, they are to be inspected as per specifications indicated in the purchase order to verify their quality and quantity. Uninspected materials are a burden on the economy of the organisation. If inspection is delayed, the payments of the

suppliers also are likely to be delayed, resulting in bad relations between suppliers and purchasers.

9. Meeting transport requirements of incoming and outgoing materials:

The purchasing officer must make goods/materials available at the right time they are required, at the place they are needed, and at the lowest possible cost.

It is a big responsibility, and even a slight error amounts to delay in consignment required at a particular time. In this regard, the purchase department should have a thorough knowledge of the means of transportation. It should make a correct choice of carriers or routes because otherwise it may entail delay and additional transportation costs.

10.

Maintaining purchasing records and files:

Purchasing involves a lot of paper work. Daily a number of letters, bills, quotations, notes, challans, railway receipts, parcel, way bills, bills of lading, goods received notes, lorry receipt, goods receipt (transport delivery notes), inspection notes have to be dealt with. It involves a lot of clerical work. This department has to refer to previous correspondence on purchase orders, notes, catalogues, blue prints, price lists etc. very frequently which makes it imperative to maintain records in appropriate manner.

These records are essential for making the day to day purchase.

11. Reporting to top management:

It is also an important function of the purchasing department to prepare weekly, monthly, quarterly, bi-annually and yearly reports regarding expenditures of this department and send the same to top management along with details of purchases made and suggestions or improvements, if any.

12. Developing coordination among departments:

A purchasing department has to fulfill the needs of other departments in the organisation.

It is the function of purchasing department to work in close coordination and cooperation with other departments of the company. To a considerable extent, the attitude and reactions of other departments towards purchasing department extends to these other departments. Mutual trust and cooperation is essential between the purchasing department and other departments to secure high degree of efficiency.

13. Creating goodwill of the organisation in the eyes of the suppliers:

Good vendor relationship has to be maintained and developed to reflect enterprise's image and goodwill. Maintaining such relations requires mutual trust and confidence which grows out of dealings between the two parties over a period of time.

Worth of a purchasing department can be measured by the amount of goodwill it has with its vendors.