



SNS COLLEGE OF TECHNOLOGY



[An Autonomous Institution]

Coimbatore - 35

19BAT612 - Operations Management

Unit 5 – Purchasing

Topic: Purchasing Function



Purchase Management

- In a narrow sense, the term '**purchasing**' refers merely to the act of buying an item at a price
- In a broader meaning of purchasing makes it a managerial, activity which goes beyond the simple act of buying and includes the planning and policy activities covering a wide range of related and complementary activities.

'Procurement'

Some uses procurement instead of purchasing. The term procurement is broad in its meaning and covers the duties performed by the purchasing department as well as such additional functions of materials supervision and management as inventory control, receiving, incoming inspection and salvage operations.

Objective:



The objective of the function is to ensure continuity of supply of raw materials, sub-contracted items and spare parts and at the same time reduce the ultimate cost of the finished goods.

The different parameter of purchasing are :

- Purchasing items with right price
- Purchasing items with right quality
- Purchasing items with right time
- Purchasing item from right source
- Purchasing item of right quantity





Functions of Purchasing Dept.

Responsibilities often fully delegated to the purchasing function:

- (a) Obtaining prices
- (b) Selecting vendors
- (c) Awarding purchase orders
- (d) Following up on delivery promises
- (e) Adjusting and settling complaints
- (f) Selecting and training of purchasing personnel
- (g) Vendor relations

2. Responsibilities often shared with functions other than purchasing function:

- (a) Obtaining technical information and advice
- (b) Receiving sales presentations and arranging for sales opportunities with interested personnel
- (c) Establishing specifications
- (d) Scheduling orders and deliveries
- (e) Inspecting
- (f) Specifying delivery method and routing
- (g) Expediting
- (h) Accounting
- (i) Purchasing and market research





Cont...

- (j) Inventory and warehousing policy and control**
 - (k) Forward buying and hedging policies and procedures.**
 - (l) Construction contracting**
 - (m) Service contracts and agreements**
 - (n) Sale of scrap, salvage and surplus**
 - (o) Purchasing for employees**
 - (p) Contracting for machines and equipments**
 - (q) Development of specifications**
 - (r) Transportation and traffic**
 - (s) Determination of whether to make or buy**
 - (t) Customs**
- 3. Responsibilities often divorced from purchasing but of particular interest to purchasing:**
- (a) Receiving and warehousing**
 - (b) Payment of invoices.**





Purchase Cycle

- Recognition of need
- Description of need
- Select the suitable source for the purchase
- Determine the price and availability
- Prepare the purchase order and sent out to the supplier
- Accept the purchase order obtained from the supplier
- Followup – Delivery date, time, late penalty
- Checking the invoice and approve for payment



Purchasing policies

- Ancillary development
- Make or buy situation





Ancillary development

- The sub contractor is an ancillary unit
- All the public sector undertakings of Govt. of India have been given a directive to look in the development of ancillary unit
- The entrepreneurs should be given all the facilities for setting up such ancillary units and other facilities including land, electric power, water and necessary know how / managerial guidance



Cond...

- Production process, equipment handling / selection and layout
- Production aids like design, drawing, tooling & quality control procedure
- Manpower planning
- Production planning and control
- Management aids like cost-accounting, industrial engineering & marketing
- Sourcing of finance and obtain them



Advantages & Disadvantages

- It results in spread of entrepreneurial base
- It promotes industrial development
- Regular supply of materials to the prime / parent company
- Difficult – product modification
- Job allocation for the prime company employee is difficult
- May be abused



Summary

- Purchase Management
- **Objective**
- Functions of Purchasing Dept.
- Purchase Cycle
- Purchasing policies
- Ancillary development



Thanks..