***Purchase Routine:-*** *Purchase routines represent one of the most important areas of focus of material management. It’s through the purchase routines that organization choose the suppliers they will collaborate with in all areas of the events. Here, they can choose their sources of energy, means of transportation, what type of waste organisations will produce, and therefore also the means of waste disposal that will be required. Good purchase routines saves money and are good for the environment and ethically sound! When organisations purchase goods or services, they influence future resource management, energy consumption, chemical spills, transportation, not to mention waste production. Thus the organizations performs their purchase procedure in a routine way.*

***General Purchase Procedure of a Company***

*The purchase procedure of the company differ from one to the other. The following is the general purchase procedure. Specific forms and records are used to follow proper purchase procedure and implement purchase policies.*

[*1. Purchase Requisition*](https://accountlearning.com/general-purchase-procedure-company/#1_Purchase_Requisition)

[*2. Identify the Sources of Supply*](https://accountlearning.com/general-purchase-procedure-company/#2_Identify_the_Sources_of_Supply)

[*3. Call for Tenders or Quotations*](https://accountlearning.com/general-purchase-procedure-company/#3_Call_for_Tenders_or_Quotations)

[*4. Analysis of Tenders*](https://accountlearning.com/general-purchase-procedure-company/#4_Analysis_of_Tenders)

[*5. Selection of Right Supplier*](https://accountlearning.com/general-purchase-procedure-company/#5_Selection_of_Right_Supplier)

[*6. Placing of Purchase Order*](https://accountlearning.com/general-purchase-procedure-company/#6_Placing_of_Purchase_Order)

[*7. Follow Up of Purchase Order*](https://accountlearning.com/general-purchase-procedure-company/#7_Follow_Up_of_Purchase_Order)

[*8. Receiving of Materials*](https://accountlearning.com/general-purchase-procedure-company/#8_Receiving_of_Materials)

[*9. Inspection of Materials*](https://accountlearning.com/general-purchase-procedure-company/#9_Inspection_of_Materials)

[*10. Checking of Invoices*](https://accountlearning.com/general-purchase-procedure-company/#10_Checking_of_Invoices)

[*11. Passing the Invoice for Payment*](https://accountlearning.com/general-purchase-procedure-company/#11_Passing_the_Invoice_for_Payment)

### *1. Purchase Requisition*

*Purchase requisition is the basis for placing the purchase order for materials and supplies. It is a written request prepared by the foremen or authorized officer or responsible officer of the user department and hand over to the*[*purchase department*](https://accountlearning.com/purchase-department-purchase-officer-qualification-functions/)*. The purchase requisition includes the details like material code number, type of materials, quality and quantity of materials etc. Generally, the purchase requisition is prepared in three copies. The first copy is sent to the purchase department. The second copy is sent to the production and control department. The user department for the future reference retains the third copy.*

### *2. Identify the Sources of Supply*

*The purchase department or the purchase officer should know the sources of supply of various raw materials and requirements of the organization. The selection of right sources of supply gives maximum benefits to the organization. The buying of raw materials on credit basis but right quality of raw materials is the efficiency of the purchase department or purchase officer. Hence, the purchase department or purchase officer should know the financial strength and experience of supplier. The followings are the main sources of supply of an organization.*

1. *Experience i.e. past purchase*
2. *Salesmen interviews i.e. new suppliers.*
3. *Catalogues*
4. *Trade directories i.e. yellow pages*
5. *Trade journals*
6. *Consulting business associates i.e. businessmen who are doing the same business*
7. *Trade shows and conventions*
8. *Request for quotations.*

### *3. Call for Tenders or Quotations*

*On the basis of the various sources of supply, the purchase department or the purchasing officer can call for tenders or quotations. Thus, received quotations or tenders are compared with their catalogues, past records and published statements. If purchase department or purchase officer decides to invite tender, it or he/she can invite any of the following types of tenders.*

1. ***Single Tender****: A tender is called from only one source i.e. supplier.*
2. ***Restricted Tender****: Tenders are invited from the selected suppliers on the basis of the past experience and their goodwill.*
3. ***Open Tender****: Tenders are invited from all the suppliers through*[*advertisement in newspaper*](https://accountlearning.com/5-important-criteria-selecting-newspaper-advertising/)*and journals.*

*A purchase department can invite local tender, regional tender and global tender.*

### *4. Analysis of Tenders*

*All the received tenders are opened on a specified date and time. The particulars of received tenders are summarized and tabulated. This type of presentation helps the purchase department to select right suppliers with most favorable terms and conditions.*

### *5. Selection of Right Supplier*

*The purchase department or the purchase officer has to select the right supplier after the careful analysis of the received tenders. The following points may be considered while selecting the supplier.*

1. *Price quoted by the supplier.*
2. *Time of delivery.*
3. *Quantity discount.*
4. *Cash discount.*
5. *Terms of payment.*
6. [*Mode of delivery*](https://accountlearning.com/delivery-of-goods-meaning-modes-of-delivery/)*.*
7. *Past performance of the supplier.*
8. *Good will of the supplier in the market.*

### *6. Placing of Purchase Order*

*After selecting the right supplier, the purchase department or the purchase officer can prepare the purchase order and send the same to the supplier without any further delay. A purchase order is the commitment by a buyer to pay for goods ordered. Similarly, it is the seller’s authority to charge the buyer for supplies made. It becomes a*[*legal contract*](https://accountlearning.com/essential-elements-of-a-valid-contract/)*.*

*A purchase order is prepared in six copies. The first copy is sent to the supplier, the second copy is sent to the department, which initiated the purchase requisition, the third copy is sent to the Accounts Department, fourth copy is sent to the Finance Department, fifth copy is sent to the Stores Department and finally, the last copy is retained by the Purchase Department.*

### *7. Follow Up of Purchase Order*

*The time, date and mode of delivery are mentioned in the purchase order. If the order is not executed as per the specifications of the purchase order, the purchase department or the purchase officer should take follow up action. A remainder may be sent to the supplier for the execution of order as early as possible. Oral communication may also be followed.*

### *8. Receiving of Materials*

*The purchase department while receiving the materials performs the following functions.*

1. *Prepare the statement of goods received.*
2. *Indicate the identification mark for each type of materials separately.*
3. *Checking the quantity and quality of materials.*

### *Inspection of Materials*

*The receipt of materials is compared with purchase order and delivery note issued by the suppliers. If the materials are not received as per the specification of the purchase order and delivery note, the materials may be rejected. Thereafter, an inspection report is prepared in a specified form and the same is sent to the supplier for proper execution of an order. Sometimes, the materials may be rejected due to inferior quality. If the materials are rejected, proper reasons for such rejection should be clearly specified in the rejection report.*

### *10. Checking of Invoices*

*The purchase manager or the purchase officer should check the invoices for early settlement. If the materials are received in good condition as per the specification of the purchase order, the delivery note may be issued by the seller. Terms and prices are checked against the purchase order.*

### *11. Passing the Invoice for Payment*

*If an invoice is correct in all respects, the purchase manager or the purchase officer will pass the invoice and send the same to accounts department and finance department for payment. The invoice may be impressed with the rubber stamp as Bill Passed for Payment.*