

## B.A. (VS) MATERIALS MANAGEMENTGE 5.2:

### Basics of Purchase Management

#### CREDIT DISTRIBUTION, ELIGIBILITY AND PRE, REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Basics of Purchase Management GE: 5.2	4	3	1	0	Pass in Class XII	NIL

**Learning objectives:** The objectives of the course are to provide the understanding of different concepts of purchase management and equip the students about purchasing and its systems and procedures. It will also give understanding of price forecasting, special purchase systems, public buying and online purchasing/buying.

**Learning Outcomes:** After completion of the course, learners will be able to:

1. explain the conceptual framework of purchase management.
2. perform the procedure for purchase of materials from private and Government sources
3. define special purchase systems and conduct price forecasting for purchasing the material.
4. explain the procedure of online purchasing, government purchasing and its current practices

#### **Unit 1 Introduction to Purchase Management**

**12 hours**

Introduction, importance and functions of purchase Department, Organization for purchase function, centralized and decentralized purchasing, objectives of purchasing i.e. 6 R's of purchasing. Buyer- seller Relationship: Importance of good buyer-seller relationship, Relation with supplier-policies and issues in relationship, Ethical issues in purchasing.

#### **Unit 2 Source and Procedure for purchase 12 Hours**

Sources of supply: vendor selection and rating, Material specifications, Pre-purchase considerations, standard purchase procedure, post-purchase issues. Standard form used in purchasing like purchase requisition, tender / quotation documents, schedule of quotations, purchase order, follow-up order, cancellation of order, Bill of Materials etc.

#### **Unit 3 Special Purchase Systems and Price Forecasting**

**12 Hours**

Special Purchase Systems and Price Forecasting: (a) Special Purchase Systems: Forward Purchase, Tender purchase, Blanket order, zero stock, Rate contract, Purchases of capital equipment and leasing. (b) Price Forecasting: Price and pricing impact, price practices,

price negotiations hard bargaining and fixing. Purchasing under fluctuating prices, purchasing under uncertainty, Negotiations regarding quality

#### **Unit 4 Online and International Purchase**

**9 hours**

Online Purchasing: Concept, advantages, procedure of online purchasing and current online purchase practices. International Purchasing: Need for International Purchase, Direct and Indirect Buying, term of payments and Legal-Framework of International Purchasing. The eProcurement System of India, Gem portal

#### **Practical exercise**

1. ABC Company is a manufacturing organization that specializes in producing electronic devices. The company has recently recognized the need to establish a dedicated purchase department to streamline its procurement activities. As the newly appointed manager of the purchase department, you are tasked with understanding and implementing key concepts related to purchasing. you need to Analyze the importance of having a well-structured purchase department within ABC Company. How can an organized purchase department contribute to the overall success of the organization?
2. XYZ Manufacturing Company is a leading manufacturer of industrial machinery. As the procurement manager of XYZ Manufacturing, you are responsible for ensuring the smooth sourcing and procurement of materials and services for the company. You are currently facing challenges in managing various aspects of the purchasing process, including vendor selection and rating, material specifications, pre-purchase considerations, standard purchase procedures, and post-purchase issues. Evaluate the importance of effective vendor selection and rating for XYZ Manufacturing Company. Discuss the criteria and factors that should be considered when selecting vendors. How can vendor rating systems help in the decision-making process?
3. XYZ Company operates in an industry where prices for raw materials frequently fluctuate. Explain how the use of forward purchase as a special purchase system can help XYZ Company mitigate the impact of price volatility. Discuss the advantages and challenges associated with forward purchasing in such a market environment. In the context of purchasing capital equipment, analyze the advantages and disadvantages of leasing as a special purchase system for XYZ Company. Compare the financial implications of leasing versus outright purchase and discuss the factors that should be considered when deciding between the two options.
4. XYZ Corporation is considering implementing online purchasing as part of their procurement strategy. Discuss the concept of online purchasing and its advantages for XYZ Corporation. Provide examples of specific situations where online purchasing can offer significant benefits over traditional purchasing methods. Prepare the step-by-step procedure that XYZ Corporation should follow to successfully conduct online purchasing.

#### **Suggested Readings**

- Bailky, P., & Farmer, D. (Year). Purchasing Principles and Techniques. Pitman.
- Chunawalla, S.A. (Year). Materials and Purchase Management. Himalaya Publishing House.

- Dutta, A.K. (Year). Materials Management: Procedures, Text and Cases. Prentice Hall of India Pvt. Ltd.
- Gopalakrishnan, P., & Sundareson, M. (Year). Materials Management: An Integrated Approach. Prentice Hall of India Pvt. Ltd.
- Shah, N.M. (Year). An Integrated Concept of Materials Management. Indian Institute of Materials Management, Baroda Branch, Baroda.
- Sharma, S.C. (Year). Material Management and Materials Handling. Khanna Publishers.
- Pooler, V.H. (Year). Purchasing and Supply Management: Creating the Vision. Chapman & Hall.
- Lee, L., & Dobler, D.W. (Year). Purchasing and Materials Management. McGraw Hill.
- Zenz, G.J. (Year). Purchasing and the Management of Materials. John Wiley
- <https://www.india.gov.in/spotlight/government-e-marketplace-procurement-made-smart#tab=tab-1>

**Notes:**

- **Suggested readings shall be updated and uploaded on the college website from time to time.**
- **Examination scheme and mode shall be prescribed by the Examination branch, University of Delhi from time to time.**