

Purchase, Sales and Store Management

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Abstract : There is a general consensus among all financial managers of any kind of organization that without appropriate proper goods and services, the organization can not run smoothly. To meet the above objective, it is important to know the methods of purchase, sales and store management of any offices/ organizations. Keeping in mind this view, an attempt has been made to understand the methods and procedures of purchase, sales and store management in this article. This article may help to broaden the knowledge of the participants of Foundation Training Course as well as the participants of different short training courses like- office Management course, Financial Management course etc. who are directly involve in purchasing, sales and store management of offices/organization so that they can manage their business effectively.

Purchase Management

Purchase is an important management process of any organization both for the public and the private sector. To buy materials of the standard quality, of sufficient quantity, at the right time, with appropriate price from the right source are called the active management process. All kinds of government organizations should purchase different kinds of goods and services. Each government officer Must have a duty and responsibility to purchase such kinds of goods with efficiency. The concerned officer must proceed following Government Financial Rules, Orders and existing circulars. Therefore, purchase is one of the important management processes of an organization.

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Stages of procurement

There are ten stages of procurement such as:-

- a) to identify demand according to the nature of programme/ needs;
- b) to submit indent for procurement ;
- c) to take decisions for purchase ;
- d) to invite tenders/ bids ;
- e) to receive the tender documents and process it ;
- f) to sign the contract form and issue the work order ;
- g) to ensure quality of goods from suppliers ;
- h) to receive the goods and enter it into the stock register ;
- i) to receive bidders document/ bills for payment ;
- j) to examine the bills and make necessary arrangements for payments ;

Principles of procurement

Under section 145 of the General Financial Rules purchase must be made in the most economical manner in accordance with the definite requirements of the public service. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. At the same time, care should be taken not to purchase much in advance of actual requirements, if such purchase is likely to prove unprofitable to Government.

Where scales of consumption or limits of stores have been laid down by competent authority, the officer ordering a supply should certify on the purchase order that the prescribed scales or limits are not exceeded. Financial rules and regulations about the purchase of different kinds of goods, services, stationeries etc. are mentioned at G.F.R. under Section 143 to 147. Therefore, delegation of financial powers, circulars and orders should be followed by the respective agency before purchase of the goods and services. The government officers must follow

respective organogram (TO&E) for purchasing transport/ vehicle, machinery as per their entitlement.

According to financial rules the following preference should be given regarding purchase:-

1. Home made goods of acceptable quality ;
1. Home made goods manufactured by imported raw materials ;
2. Huge stock of foreign goods available in the country ;
3. Permitted importable goods.

Tender

Purchase should be made by inviting tenders. Normally there are three kinds of tenders such as: a) open tender, b) limited tender and c) single tender.

(a) Open Tender

If purchasable amount is above Tk.5000/- then open tender should be invited in at least two widely circulated national dailies. Open tender may be of (1) One Envelope Bidding System and (2) Double Envelop Bidding System.

Procurement should normally be carried out through One Envelope Bidding System. For example "The Technical" and The "The price" bids are submitted in one envelope. On the other hand Double Envelope bidding system bids alongwith bid securities are received from each bidder in two separate sealed envelopes, one for "Technical" and the other for "Price" with each envelope clearly marked. The bid security should be submitted in the technical envelope. The technical bids should be opened first and evaluated. After approval of the technical evaluation report, whose technical bids have been determined to be responsive. Then the executing agency should formally notify, giving at least 7 days time, such bidders about the date,

time and venue of opening of the price bids. The price bids of the bidders whose technical bids have been determined to be non-responsive should be returned un-opened along with their bid securities.

(b) Limited Tender

The procedure may be used for goods available from a limited number of qualified local suppliers when purchasable amounts is below Tk. 5000/-. In this case some qualified firm may be enlisted at the beginning of the financial year. In such a case advertising is not required, bids are invited preferably from an agreed short list of at least 3 (three) qualified enlisted bidders from the local area. It means 3 quotations are to be collected from qualified bidders.

(c) Single Tender

It is a simple shopping system when purchasable amount is not exceeding Tk 500/- the respective agency can purchase through a cash memo. In this case no quotation is to be required.

The Bidding Documents

The goods required, bidding procedures, and contract terms are prescribed in the bidding documents. In addition to the invitation for bids, the bidding documents include: (a) Instructions to Bidder, (b) Bid data sheet, (c) General conditions of contract, (d) Special condition of contract, (e) Schedule of Requirements (Schedule), (f) Technical Specification, (g) Bid form and price schedule, (h) Bid Security form, (i) Contract form (j) performance Security form, (k) Manufacturing Authorization form.

Preparation of Bids: (a) Language of Bid, (b) Documents comprising the Bid, (c) Bid form, (d) Bid process, (e) Bid currencies.

Exceptions in case of open tender

Under the following circumstances open tender may not be invited for purchase of goods if the purchasable amount is being above Tk. 5000/- it can be purchased by limited tender.

- (1) When open tender is not considered in a reasonable way for public interest. Generally if this becomes unprofitable, then the limited tender should be invited. In this case satisfactory argument is to be shown for inviting limited tender and for discouraging open tender.
- (2) When requisitioning authority urgently required the goods within a very short time where formalities for open tender is not feasible.

Purchase goods from Autonomous Bodies

According to General Financial Rules part two under clause 6 purchase from autonomous body is possible with out quotation.

Purchase by Committee

Under the following causes purchase is possible by formation of a purchase committee:-

1. For urgent necessity ;
2. When no bids are available after repeated advertisement at least for 3 times ;
3. Purchase may be possible at the lowest price from the market if it is less than the quoted price.

Purchase committee should be formed by more than three officers. In this case honesty and integrity of these officers to be considered.

Prior plan for purchase of goods

The following formalities may be followed for purchase of goods through tender:

(A) Tender schedule is to be prepared with following conditions :-

- (1) Conditions: (a) $2\frac{1}{2}$ % earnest money, (b) 10 % security money, (c) Fine for delay in delivery of goods (delay fine 1% maximum 10%), (d) Authority to accept or reject the tender.
- (2) Offer to include (a) Trade License, (b) Financial certificate, (c) Income Tax certificate, (d) Bidders Experience certificate etc.
- (3) Specification of goods/ materials
- (4) Quantity of goods.
- (5) Performance guaranty.

(B) Advertisement

In the advertisement of tender the following information must be incorporated: -

- i) Availability of Tender Document ;
- ii) Price of Tender Schedule (non refundable) ;
- iii) Earnest Money 2. 50% (Refundable) ;
- iv) Security Money ;
- v) Place for submission of bids ;
- vi) Last date for sale of schedule ;
- vii) Last date for submission of bids ;
- viii) Date and time for opening the Tenders ;
- ix) Qualification of bidders ;
- x) Short description of works ;
- xi) Estimated cost of work ;
- xii) Power to accept or reject by the competent authority.

Process of Tender

- (a) Formation of Tender Committee (if not formed earlier)
- (b) Preparation of comparative statement (C.S.)
- (c) Collection of technical report (if necessary)
- (d) Meeting of tender Committee.

Acceptance or rejections of tender

According to existing rules of the Government the executive agency should receive the lowest bid out of three or more qualified bids. Under clause 19 of the G.F.R. if lowest bid is not received by the executive agency there should be proper reasonable causes against it. Without any proper reasonable causes lowest bid should not be rejected. If lowest bid is not acceptable due to want of any supporting paper, the executive agency must communicate it to the lowest bidder for supplying the necessary documents. Purchase should be made in the most economical manner because it is the main objective of the Government policy. In case if any loss occurs due to negligence of the executive agency, the agency may be responsible for such loss.

Issuance of work order and Signing of the contract form

On the basis of the recommendation of the Tender Committee, the proper authority will approve the tender. Then the executive agency will issue work order to the successful bidder for delivering of goods and services and will sign a contract form both by the supplier and the purchaser.

Repeat work order

In order to meet additional requirements of goods, the executive agency may issue repeat orders to the successful bidder at the same unit price. In this case repeat order does not normally exceed one year.

Extension of time

If bidder can not deliver the goods in due time as per work order, the executive agency can not extend time with out the

reasons of natural disaster and emergency causes. But if the bidder fails to deliver the goods in due time without above causes then the executive agency will take the following one or more steps for financial interest of the office.

- 1) Cancel the contract and rest work should be done by invitation of fresh tender ;
- 2) Can impose fine from the bidders for financial loss of the office ;
- 3) May forfeit the earnest money and bidders may be black listed.

Sales Management process

Subject to any special rules or orders applicable to any particular department agencies, stores which are reported to be obsolete, surplus or unserviceable may be disposed of by sale or otherwise under the orders of the authority competent to sanction the writing off a loss caused by deficiencies and depreciation equivalent to their value.

Each order declaring stores as unserviceable should record the full reasons for condemning them and how the condemned stores are to be disposed of i.e. whether by sale, public auction or otherwise. The head of the office should record full particulars regarding all condemned stores in suitable list from which their disposal can be watched (under rules 167 of the G.F.R.).

According to delegation of financial power of the Government the head of the divisional office is the competent authority for disposal of unserviceable stores.

The value of condemnable items Tk. 20,000/- by the district level office and Tk.10,000/-by thana level office may be disposed off by sale or auction.

According to circular of the Establishment Ministry (Circular No. MER (TR) IP-6/83-843 dated 13/12/1986) every ministry, department and attached department will constitute a condemnation committee with 5 members for dispose of unserviceable transport and machines etc. Such kind of condemnation committee is headed by a Joint Secretary or equivalent officer of the concerned ministry/ departments.

Under the following circumstances the condemnation committee can recommend a vehicle unserviceable:-

- a) If it is totally unprofitable for services by frequent repair ;
- b) If it is not possible to get 1st Class service by repair whose cost is more than 50% of the actual cost ;
- c) If two or more major units are unserviceable by general wearing ;
- d) If spare parts are not available due to changes of Model ;
- e) If frame is bent or twisted due to accident and one more main parts are totally destroyed ;
- f) If it is off on road due to any kind of major defect.

On the basis of the recommendation of the condemnation committee, all ministries, departments should dispose of condemnable items by sale, public auction etc. In this case a reserve price must be decided before hand.

Stores Management

The stores should be in charge of one person who is known as the store keeper. The storekeeper / store officer should have technical knowledge, wide experience in stores routine, capable of organising the operations of the stores.

Store keeper / officer should perform the following duties and responsibilities:-

1. Issue purchase requisition when reordering level is reached;
2. Storage layout should be determined for keeping the goods;
3. Check all incoming materials to ensure quality and quantity as per purchase order and goods Received Note;
4. Maintain the stores in a tidy, safe and convenient manner;
5. For identification and location a system of code number should be employed;
6. Issue stores against proper authorization in right quantity and quality and at the right time;
7. Maintain proper record of receipt, issue and balance;
8. Checking 'the Bin Card Balance with the physical quantities in the Bins;
9. Report on waste and scrap materials, obsolete stock etc.;
10. Prevent unauthorized persons from entering into the stores;
11. Protect/preserve stores as per direction of the higher authority;
12. Insecticides should be used to protect stores from rats, whiteant etc.

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