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## Course Information

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**Course Title:** Purchasing Guidebook #363921

**Number of continuing education credit hours recommended for this course:**

In accordance with the standards of the National Registry of CPE Sponsors CPE credits have been granted based on a 50-minute hour.

**CPA: 14** (Accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: M0021

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

### Course Description

The purchasing function has a dramatic impact on the profitability of a business, and so must be carefully managed. The *Purchasing Guidebook* is an essential tool for doing so, since it shows how the department's performance can be fine-tuned. The course focuses on supplier selection and management, the competitive bidding process, negotiations, and contract management. It also addresses the many ways in which purchasing can be used to control costs in the areas of inventory management, logistics, and quality, while also providing the financial tools to improve a number of purchasing decisions. In short, the *Purchasing Guidebook* is a required toolkit for the purchasing professional.

**Program Delivery Method:** NASBA QAS Self-Study (interactive)

### Subject Codes/Field of Study

NASBA (CPA): Production

### Course Level, Prerequisites, and Advance Preparation Requirements

Program level: Overview

Prerequisites: None.

Advance Preparation: None

### Course Content

Publication/Revision date: 3/23/2021.

Author: Steven M. Bragg, CPA.

Final exam (online): Seventy questions (multiple-choice).

## **Instructions for taking this course**

**Note:** Download and save the PDF of this course to your computer for future reference, and to enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window) for easier navigation.

In order to receive CPE credit for this course, you must complete the course within one year of the date of purchase. This includes achieving a passing grade of at least 70% on the final exam. Exams may be retaken if not passed on the first attempt (no charge).

Complete the course by following the learning assignments and objectives listed below and studying the review questions after each major section in the text. Once you have completed each learning assignment and you are confident that the learning objectives have been met, answer the final exam questions (online).

## **Instructions for Taking the Final Exam Online**

- Login to your account online at [www.bhfe.com](http://www.bhfe.com).
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# Learning Objectives

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- Recognize the reporting relationships for a purchasing department, how the role of the department changes in a multi-division environment, the responsibilities of each position, and the purchasing manager's responsibilities related to ethics.
- Describe the process flows related to requisitions, purchase orders, and competitive bidding.
- Identify the methods available for rolling out a procurement card system.
- Specify the considerations and criteria involved in supplier selection.
- Identify the methods used to attend to supplier needs, and recognize the contents of a supplier scorecard.
- State the circumstances under which competitive bidding should be used, the types of supplier qualifications, and when a reverse auction might be a viable option.
- Identify the situations in which negotiations may be needed, the types of positions that may be taken, and the characteristics of a successful negotiator.
- Identify the types of clauses that may be included in a contract with a supplier, and the key differences between a contract and a purchase order.
- Specify the costs associated with inventory, how inventory record accuracy can be improved, and how to mitigate the effects of a supply chain bottleneck.
- Recognize the different types of shipping terms, logistics performance goals, and characteristics of the different types of transport.
- Identify the uses to which a spend management system can be put, how it is used, and the expected outcome of a spend compliance program.
- Define the concept of quality, identify the goals of six sigma, and note how a corrective action process is used.
- Recognize the pricing systems used by suppliers, and how a target costing system works.

- Specify the key points in a leasing agreement to negotiate, the advantages of using leases, the methods for improving the financial results of a business, and how to improve the learning curve experienced by suppliers.
- Identify the circumstances under which a supplier is more likely to accept a supply chain financing offer.
- Specify the measurements to use when attempting to reduce purchase orders and suppliers, and to emphasize the use of certified suppliers.
- Identify the components of a material requirements planning system, and the types of electronic notifications that can be provided to a buyer by a seller.

## About the Author

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**Steven Bragg, CPA**, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been the two-time President of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written the following books:

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# Preface

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The purchasing department performs one of the most vital functions within a business – acquiring goods and services on behalf of the organization. Performing the related tasks correctly can be surprisingly difficult, which is where the *Purchasing Guidebook* can be of use. The book describes every aspect of purchasing, including purchasing processes, supplier selection, contract negotiations, spend management, financial analysis, and a great deal more.

The contents of the book are divided into four general topics. Chapters 1 through 3 present an overview of purchasing, noting the role of the department and its employees, how each purchasing procedure works, and the use of procurement cards. Chapters 4 through 8 are concerned with supplier relations. These chapters address the selection and subsequent management of suppliers, including competitive bidding, negotiations, and contract management. Chapters 9 through 13 are primarily concerned with the management of costs, with a particular emphasis on spend management, logistics, quality concerns, and the handling of inventory. Chapters 14 through 17 address a cluster of additional topics related to purchasing, including financial analysis, supply chain financing, measurements, and information technology.

You can find the answers to many questions about the purchasing function in the following chapters, including:

- Should purchasing be centralized or kept at the local level?
- What is the procedure for manual reorder point notifications?
- What are the criteria to consider when choosing new suppliers?
- What risk management techniques can be applied to suppliers?
- What tactics are used in negotiations with suppliers?
- What pricing alternatives are used in contracts?
- How is a spend management database constructed?
- What is the roll of purchasing in a target costing system?
- How do I calculate the effects of a lease or buy decision?
- Which measurements should be applied to suppliers?

The *Purchasing Guidebook* is designed for someone interested in setting up a purchasing department or learning how to improve its performance. Thus, it can be used by buyers, managers, systems auditors, and consultants.

Centennial, Colorado  
March 2021