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| **Client name:** Cosmopolitan Industries Pvt. Ltd. (CIPL) | | |
| **Accounting period:** 01 June 2020 to 30 June 2021 | | |
| **Prepared by:** Tanvir Ahamed |  | **Date:** 07 June 2021 |
| **Reviewed by:** Humaun Ahamed |  | **Date:** 09 June 2021 |
| **Final Reviewed by:** Faruk Uddin Ahammed, FCA, CISA |  | **Date:** 09 June 2021 |
| **Subject:** Process of purchases |  |  |

**Objective:** The objective of this memo is to document the whole process of purchases for the Cosmopolitan Industries Pvt. Ltd. (CIPL) under EPIC Group.

***(Following process is noted from the discussion with Mr. Khayer Uddin, Deputy General Manager-Finance & Accounts, Epic BD :)***

**Purchase of Raw Materials (All consumables):**

**Purchase process:** There are generally two way the purchases are made:

* Purchase by Import
* Local purchase.

**Purchase by Import:**

Most of the raw material purchased by CIPL is from import. There is an authorized list of vendors from which the purchase is made. Sometimes customer of the specific contract demands a particular vendor for purchasing raw materials for that specific contract. For cases like this, customer’s preference is given the priority. The process of purchase is listed in details below:

* Hong Kong (HK) Merchant, based on the required number of raw materials needed raise a purchase requisition (PR).
* After the approval, HK sourcing team selects the supplier from the authorized list and communicate with the supplier through pro-forma invoice including the availability of the material to be delivered, time of delivery, quality needed, price of the material etc. Most of this communication happens through mail.
* After all this agreed with the supplier, a Purchase Order (PO) is raised for the purchase.
* The commercial officer/executive opens Letter of Credit (L/C) against this purchase order.
* The product is received at plant and warehouse team prepare the GRN accordingly.

**Local purchase:**

CIPL purchase raw materials from local vendors/suppliers in some cases. The purchase team purchases from listed vendors/suppliers or quotations based for purchasing raw materials. For quotations based systems performed following process:

* The factory head, mentioning the required amount of raw materials needed raise a purchase requisition (PR). That purchase requisition is then sent to the central purchase team for checking.
* Based on the PR, purchase department send Request for Quotation(RFQ) to the probable vendors.
* Central purchase team selects the supplier from the quotation based on the availability of the material to be delivered, time of delivery, quality needed, price of the material etc. through comparative statement for purchasing raw materials which checked by Purchased head and approved by Plant CFO;
* For other than raw materials, finance department review the full process, check the papers and approved the PO and dispatched to vendor on electronic medium. Minimum Three Quotation collects where authorized vendor is not available. For raw material merchandising department do as above.
* With reference to the PO, Goods are received and GRN is prepared accordingly.

**Recording of Purchase:**

* Each purchase of raw material is recorded at cost.
* When the Good Receive Note (GRN) is prepared by the Factory, a purchase entry is posted including quantity and value in the OMS-V2 System (For Fabrics and Trims), then in the SAP, the payable entry is posted mentioning only the value for Fabrics and Trims. For other Consumable raw material purchase, a direct entry is posted in the SAP.
* The payable entry posted when is this:

Purchase of Raw material----DR.

Accounts Payable-Credit------------CR.

* Treasury executes the payment to the vendor and payment entry posted in the systems is:

Accounts Payable/ Respective vendor A/C.........… Dr.

Bank A/C...........… Cr.

For the completion of **production process**, there should have some administrative expenses in line with the material purchased.

When expenses are booked, the following entry is made in the system:

Expense A/C.........… Dr.

Respective payable A/C...........… Cr.

When payment is made:

Respective payable A/C...........… Dr.

Bank/Cash A/C…………………………….Cr.