OPD_ Purchase, Inward and Issuance of Parts for Production of Finished Goods (Projects)

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1.1/26 July 2016	Sathyajheyan	Incorporated Changes pertaining to the new purchase processes pertaining to hardware projects	Sumitra Seshan	27 July 2016	27 July 2016	
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1. Purpose of the Document

The document is intended for the 5G team that is involved in purchasing, issuing and assembling the hardware units for a client or a project as well as for personnel involved in purchase of Overhead materials for the company. In other words, this document includes the processes that are involved in end-to-end purchase and supply of hardware units in a project and therefore should be used as a reference material by team members of Project/Client Management, Purchase and Accounts (Goods In-ward and Outward) and the Administration (both IT and other) personnel.

2. Objective of this Process

5G's IIoT solutions are typically a combination of software and hardware sub-systems. As part of these IIoT solutions, clients place orders for the hardware sub-systems that need to be installed and implemented at their end clients' site. The parts needed for these hardware units are either purchased online or from suppliers and then assembled and tested in the hardware department of 5G's India office.

The objectives of this processes at 5G are to
- ensure that all persons involved in this purchase process cycle strictly adhere to the procedure outlined here and not deviate from the said guidelines;
- ensure proper control in purchasing, issuing and using the hardware parts;
- have traceability of parts to the finished products;
- maintain concise information on the parts and finished products;
- improve the overall output quality of the organization;
- have accurate and up-to-date information available for auditing and accounts purposes;
- achieve and improve the methods followed within the organization for better management.

3.   Stakeholders of the Purchase Process

While most of the hardware team members will be involved in the purchase process and bound by the guidelines provided, the key stakeholders of this process are -

➢ GM - Accounts & Administration
➢ Head of Engineering
➢ Accounts Executive
➢ IT Admin
➢ Stock in-charge
➢ Process Audit Lead
➢ CEO

4.   The Purchase Process

The pre-requisites for initiating the Purchase Process for projects are the following:

➢ Cost of the Materials - A Standard cost or rate card for materials must have been pre-approved by the CEO and made available with the Admin/GM-Accounts & Administration.

➢ List of Suppliers (from whom the material purchase needs to be made).

➢ Stock Register

➢ Tally Software

➢ Bill Processing Policy (This mentions about the process for getting Quotes from the Supplier)

Purchase process is divided into 7 stages mentioned below-

1. Stock Status Verification

2. Purchase Request (PR)

3. Purchase Process

4. Goods Receipt

5. Issue of Goods (to Store)

6.   Issue of Goods (from Store)

7.   Finished Goods- Inward & Outward

4.1   Stock Status Verification

Starting Point

One of the following events would kick start the **'Stock Status Verification'** stage :

1.   On receipt of Customer PO, the Head of Engineering will check the Finished Product (along with the Quality Control Certificate & Warranty Certificate) availability with the Finished Goods Ledger available with Accounts & Administration dept.

2.   In anticipation of the Customer PO, the Head of Engineering will check the Finished Goods (along with the Quality Control Certificate & Warranty Certificate) availability with the Accounts dept.

3.   In case of Overhead purchases made for IT purposes, IT admin will verify the IT register to see if the product is already available.

4.   In case of Overhead purchases made for Accounting or Admin purposes, GM-Accounts & Administration will verify the respective Accounting Stock register to see if the product is already available.

Overview

'Stock Status Verification' stage of the purchase process involves the steps to be done before raising the Purchase Request for initiating the purchase process of any Part(s). When the needs for making Purchase Request arises, the Head of Engineering, IT Admin or GM-Accounts & Administration will check the respective Register to see if the Product is already available.

Steps involved in the 'Stock Verification' stage

'Project related' Stock Verification by Head of Engineering

Steps	Step Description
1	On receipt or in anticipation of Customer PO, the Head of Engineering verifies the Finished Goods Register with the Accounts department to see whether the Finished Product is already available along with the Quality Control Certificate & Warranty Certificate.

| 2 | One of the following steps will happen-

➢ If the Finished Product is already available in the Finished Goods Register with the Accounts department, then Stage 7 **"Finished Goods-Inward & Outward"** will take place.

OR

➢ If the Finished Product is not available in the Finished Goods Register with the Accounts department, then Stage 2 **"Purchase Request"** will take place. |

'Overhead' Stock Verification by IT Admin

Steps	Step Description
1	When the need for making IT related items arises, the IT Admin verifies the IT Register to check whether the Products to be purchased are already available in the IT register.
2	One of the following steps will happen- ➢ If the Product is already available in the IT Register, then Stage 6 **"Issue of Goods (from Store)"** will take place. OR ➢ If the Product is not available in the IT register, then Stage 2 **"Purchase Request"** will take place.

'Overhead' Stock Verification by Accounts dept

Steps	Step Description
1	When the need for making Accounts or Admin related items arises, the GM-Accounts & Administration verifies the Accounts/Admin Stock Register to see whether the Product to be purchased is already available.
2	One of the following steps will happen- ➢ If the Product is already available in the Accounts/Admin Register, then Stage 6 **"Issue of Goods (from Store)"** will take place. OR ➢ If the Product is not available in the Accounts/Admin register, then Stage 2 **"Purchase Request"** will take place.

4.2 Purchase Request

Starting Point

One of the following events would kick start the **'Purchase Request'** stage :

1. If the Finished Product to be purchased are not available in the Finished Goods Register, then the Head of Engineering will raise a Purchase Request using the **Purchase Request Template** available in **5G PAL/Process Templates**.

2. If the Product to be purchased is not available in the IT Register, then the IT Admin will raise a Purchase Request using the **Purchase Request Template**.

3. If the Product to be purchased is not available in the GM-Accounts & Admin Register, then the GM-Accounts & Administration will raise a Purchase Request using the **Purchase Request Template**.

Overview

'Purchase Request' stage of the purchase process mentions about the Part(s) that are required to be purchased from a Supplier. Purchased Part(s) can be used either for building the finished product that is intended for the Customer or for use for internal purposes (categorized as "Over Head"). For this purpose, request for purchasing the Part(s) and approval of the Purchase Request are done at the 'Purchase Request' stage.

2 types of purchase request can be made -

➢ **'Project specific' Purchase Request** where the purchases are made specific to the particular project.

➢ **'Overhead' Purchase Request** where the purchases are made for internal use and that are not specific to any project.

Steps involved in the 'Purchase Request' stage

'Project specific' Purchase Request

Steps	Step Description
1	Head of Engineering fills the Parts to be purchased using the **Purchase Request Template**.
2	Head of Engineering sends the Purchase Request to the CEO.

3	CEO approves the Purchase Request.
4	Head of Engineering receives the Approved Purchase Request (PR) from CEO.
5	Head of Engineering sends the Approved Purchase Request (PR) to the GM-Accounts & Administration.
6	GM-Accounts & Administration cross checks the Purchase Request to compare the Purchase Request amount with the Standard Cost of the Materials.
7	One of the following activities would occur: **A)** If the Purchase Request amount exceeds the standard cost, GM-Accounts & Administration sends the Purchase Request to the CEO for special approval. Once approved by CEO, GM-Accounts & Administration files the Purchase Request and sends the Purchase Request copy to the Accounts Executive for entry into the Accounting Software. **OR** **B)** If the Purchase Request amount is less than or equal to the Approved amount, GM-Accounts & Administration files the Purchase Request and sends the soft copy to the Accounts Executive for entry into the Accounting Software.
8	Accounts Executive enters the Purchase Request details into the Accounting Software.

'Overhead' Purchase Request by IT Admin

Steps	Step Description
1	IT Admin fills the Parts to be purchased using the **Purchase Request Template**.
2	IT Admin sends the Purchase Request to the CEO.
3	CEO approves the Purchase Request.
4	IT Admin hands over the approved Purchase Request to the GM-Accounts & Administration
5	GM-Accounts & Administration cross checks the Purchase Request to compare the Purchase Request amount with the approved Amount.
6	One of the following activities would occur: A) If the Purchase Request amount exceeds the approved amount, GM-Accounts & Administration sends the Purchase Request to the CEO for special approval. Once approved by CEO, GM-Accounts & Administration files the Purchase Request and sends the Purchase Request copy to the Accounts Executive for entry into the Accounting Software. **OR** **B)** If the Purchase Request amount is less than or equal to the Approved amount, GM-Accounts & Administration files the Purchase Request and sends the soft copy to the Accounts Executive for entry into the Accounting Software.

Steps	Step Description
7	Accounts Executive enters the Purchase Request details into the Accounting Software.

'Overhead' Purchase Request by Accounts Dept

Steps	Step Description
1	GM-Accounts & Administration fills the Parts to be purchased using the **Purchase Request Template**.
2	GM-Accounts & Administration sends the Purchase Request to the CEO after cross checking the purchase amount with the standard cost.
3	CEO approves the Purchase Request.
4	Accounts Executive enters the Purchase Request details into the Accounting Software.

4.3   Purchase Process

Starting Point

Purchase Process can be kick started when the following event occurs:

1. GM-Accounts & Administration files the Purchase Request (PR) after approval.

Overview

'Purchase Process' stage involves-

➤   Initiation of Purchase process with the Supplier.

➤   Recording of the purchase transactions with reference to the generated Purchase Order/Cash Purchases.

Steps involved in the 'Purchase Process' stage

Steps	Step Description
1	Accounts Executive opens the approved PR in the Accounting Software. This shall have the PR Number, PR Date, Part details and the Quantity.
2	Accounts Executive verifies the Supplier register in the Accounting Software to see if the Supplier(s) mentioned in the PR are existing and informs GM-Accounts &

Steps	Step Description
	Administration accordingly.
3	One of the following activities could occur- **A)** If the supplier is already existing in the Accounting Software, the GM Accounts & Administration initiates the Purchase process against the existing PR and places the Purchase Order (PO) with the existing Supplier. **B)** If it is a new Supplier, then GM-Accounts & Administration creates the new Supplier and then initiates the Purchase process against the existing PR. GM-Accounts & Administration places the PO with the new supplier. **C)** In some cases, purchases can be made based on the Purchase Request without the PO being generated. For example, purchases made directly from the Vendor by Cash. In these cases, Accounts Executive updates the purchased items in the Accounting Software by giving the PR number as reference.
4	Accounts Executive records the purchases made in the ledger of the Accounting Software.

4.4 Goods Receipt

Starting Point

One of the following events will kick start the 'Goods Receipt' stage.

1. GM-Accounts & Administration has completed the purchase transaction with the Suppliers based on the Purchase Request and have the copy of Purchase Order.

2. Direct purchases by Cash have been done from the Vendor based on the Purchase Request.

Overview

In the **'Goods receipt'** stage, the Goods that were ordered/purchased from the suppliers are actually received and recorded by the GM-Accounts & Administration. Goods once received are verified against the respective Purchase Order/Purchase Request and updated accordingly in the Accounting Software. Every Part that is received is identified as a Label (separate number) as given under in italics.

The naming of the Parts (labeling) should strictly follow the naming convention given in the TMPLT_Part Master. For example, when a Tablet is purchased, its Part Code needs to be checked. In this case, the Part Code is TAB. In case we receive 4 Tablets,

*shall be uniquely identified by the serial number following the Part Code. In this case, label will be **TAB0001**. Suppose, a Tablet of a different type(model) is purchased, it is labeled as **TAB0002**. Naming convention holds true for the Finished Product also.*

Steps involved in the 'Goods Receipt' stage

Steps	Step Description
1	GM-Accounts & Administration receives the Goods along with Goods Received Note from the Suppliers
2	GM-Accounts & Administration verifies received Goods against the PO or PR.
3	If the warranty period is not proper or if any of the Part(s) are damaged, GM-Accounts & Administration returns the Part(s) to the Supplier along with the Goods returned note and gives the details of the returned Part(s) to the Accounts Executive.
4	GM-Accounts & Administration notifies about the Goods received/returned details to the Accounts Executive.
5	Accounts Executive creates labels for every Part in the Accounting Software based on **TMPLT_Part Master** and updates the Goods Received details.
6	Accounts Executive places the label sticker on each new Part received for identification. If the labels cannot be put on the Parts due to the Parts' small size, all those Parts would be put in a box and the label would be put on that box.
7	GM-Accounts & Administration opens up the Purchase Request (if the purchases were made based on the approved PR) to see if all the Purchases have been completed against that PR.
8	If all the Purchases have been completed for that PR, GM-Accounts & Administration will place the PR under 'Closed Purchase Requests'.

4.5   Issue of Goods (to Store)

Starting Point

The following event will kick start the **'Issue of Goods(to Store)'** stage.

1. Labels have been created in the Accounting Software for each Part that is received from the Supplier.

2. Label Stickers have been placed on the Part(s) that are received.

Overview

In the **'Issues of Goods(to Store)'** stage, the Part(s) for which the labels are created in the Accounting Software are handed over to the Stock In Charge. Stock In Charge records the Part(s) in the Internal Stock Register.

Steps involved in the 'Issue of Goods (to Store)' stage

Project related Purchases

Steps	Step Description
1	Accounts dept hands over the labeled Part(s) to the Stock In Charge.
2	Stock In Charge enters the labeled Part(s) in the Stock Register and stores them in the locker.

Overhead Purchases by IT Admin

Steps	Step Description
1	Accounts dept hands over the labeled Part(s) to the IT Admin
3	IT Admin enters the labeled Part(s) in the IT Register and stores them in the locker.

Overhead Purchases by Accounts dept

Steps	Step Description
1	Accounts Executive hands over the labeled Part(s) to the GM-Accounts & Administration.
2	GM-Accounts & Administration stores the labeled Part(s) in the locker.

4.6   Issue of Goods (from Store)

Starting Point

Following sequence of events will kick start the **'Issue of Goods (from Store)'** stage-

1. Engineering team member requests the Parts for the Final Product Assembling from the Stock In Charge.

2. IT Admin/Accounts puts into use any item available in the Stock.

Overview:

In the 'Issue of Goods (from Store)' stage, Part(s) are issued internally to the Engineering team member based on the Material Request placed. In case of items to be used for Corporate purpose, IT Admin and Accounting Dept need to use any item from the Stock for IT and Accounting purposes respectively.

Steps involved in the 'Issue of Goods (from Store)' stage

'Project specific' items

Steps	Step Description
1	Engineering team member prepares the Material Request using the **Material Issue Slip Template** available in **5G PAL/Process Templates** and gets the approval of Head-Engineering.
2	Engineering team member hands over the Material Request to the Stock In Charge for internally issuing the Part(s) for the Final Product Assembly.
3	Stock In Charge issues the Requested Part(s) to the Engineering team member along with the copy of the Material Request & makes entries in the Stock Register.

IT related items (by IT Admin)

Steps	Step Description
1	If the need arises, IT Admin takes the item(s) and uses it for Corporate purpose.
2	IT Admin tracks the items issued in the IT register

Accounts/Admin related items

Steps	Step Description
1	If the need arises, GM-Accounts & Admin takes the item(s) from the Stock and uses it for Accounting/Administrative purpose.
2	Accounts Executive tracks the used items in the Accounting Software.

4.7   Finished Goods - Inward & Outward

Starting Point

Engineering team have assembled the Product using the Parts received from the Stock In Charge and tested the assembled Product.

Overview

Engineering assembles the Finished product using the Parts received from the Stock In Charge. In the 'Finished Goods' stage, Engineering team hands over the Delivery Challan(DC) request Form and the Finished Product (along with the Quality Control Certificate & Warranty Certificate) to the GM-Accounts & Administration. GM-Accounts & Administration prepares the DC and delivers the Finished Product to the customer. GM-Accounts & Administration raises the invoice along with the delivered Finished Product or later. If the Final Product is generated for the internal purpose (such as demo etc.), then the Engineering team will own the responsibility of storing it.

Steps involved in the 'Finished Goods- Outward' stage

Steps	Step Description
1	Engineering team assembles the Parts to test the Final Product. if there is a failure during the Assembly testing due to any of the Part, the Engineering team member returns the Part(s) to the Stock In Charge.
2	Stock In Charge tracks the returned Part as "failed" Part in the Stock Register.
3	If the Engineering team completes the Assembly testing successfully, Head-Engineering hands over the Delivery Challan (DC) Request Form, the Final Product along with the Quality Control Certificate & Warranty Certificate to the GM-Accounts & Administration *(**Note:** If the Final Product is not going to be delivered to the customer, then after the successful completion of Assembly testing, then the Engineering team shall handover the Final Product along with the Quality Certificate & Warranty Certificate to the Accounts department for storage)*
4	GM-Accounts & Administration prepares 3 copies of DC (Original, Pink & Yellow) & hands over the Final Product to the Accounts Executive for labeling.
5	Accounts Executive creates label for the Final Product in the Accounting Software, gets the labeling verified with the GM-Accounts & Administration and stores it in the locker along with the Quality & Warranty Certificate if the customer delivery is not immediate.
6	Accounts Executive generates the Sales Order in the Accounting Software for

Steps	Step Description
	reference and updates the Stock status.
7	If it is a new Customer, Accounts Executive creates the Customer in the Accounting Software.
8	GM-Accounts & Administration prepares 3 copies of Delivery Challan - **Original, Pink Copy** and **Yellow Copy.**
9	GM-Accounts & Administration sends the Finished product along the DC (Original & Pink Copy) with/without invoice to the Customer and retains the DC Yellow copy for reference.
10	GM-Accounts & Administration raises an invoice to the Customer if not raised yet.
11	GM-Accounts & Administration receives the DC (Pink Copy) signed by the Customer to indicate that the Final Product has been delivered.
12	If the Customer returns the Part(s), using the **Material Return Form** available in **5G Pal/Process templates**, Engineering team member fills the details of the Part(s) that were returned by the Customer.
13	Engineering team member retains a copy of the **Material Return Form** and hands over another copy to the GM-Accounts & Administration.
14	GM-Accounts & Administration notifies the Accounts Executive of the returned Goods and the Accounts Executive increases the Stock in the Accounting Software.

5.   Conclusion

Team involved in the Purchase process should make sure that each stage of the Purchase process mentioned in the document are followed in practice. Once the process is strictly followed, this will ensure that all the stakeholders are in better control of the Goods coming in and going out of 5G premises. Main advantages of following this process is that this would help in - preventing unwanted loss in terms of money/material, better co-ordination with the supplier/customer and avoid rework at the later stage.