

# Procurement and Supply Operations (L2M2)

**Target Audience:** For anyone new to the profession, with little or no business experience and those aspiring to move into a career in procurement and supply. It is also ideal for managers in other professions and business leaders or entrepreneurs who need to understand how procurement should function and its overall impact on business success.

**Hours:** 32 Hours

**Pre-requisite:** This is the first entry level qualification, there are no formal entry requirements.

## 1.0 Know the types of organisations and how they operate

### 1.1 Identify the types of business organisations

- Private public and third sector organisations
- Production and service organisations

### 1.2 Describe how organisations operate

- People, objectives and structure in organisations
- The formal and informal organisation

### 1.3 Identify the key operating functions within organisations

- Differentiation and integration in organisations
- Typical functions in organisations such as production, operations, marketing and sales, customer support, human resources, personnel, finance, IT, and technical functions
- Differentiating procurement and supply

## 2.0 Know the components of contractual agreements

### 2.1 Identify types of contracts

- Spot purchases
- Term contracts
- Framework arrangements/blanket orders/panel contracts and call offs

### 2.2 Identify the kind of pricing arrangements applied in commercial contracts

- Fixed pricing, lump sum pricing and schedule of rates
- Cost reimbursable and cost plus arrangements
- Variable pricing arrangements
- Target pricing arrangements
- Risk and reward pricing arrangements

### 2.3 Define the different documents that compose a contract for the purchase or supply of goods or services

- Defining contracts and agreements
- The use of tendering and quotations
- The documents that comprise a contract - the specification, key performance indicators (KPIs), contract terms, pricing and use of other schedules
- Contracts for the supply of goods or services

## 3.0 Understand sources of information on suppliers and customers

### 3.1 Explain the use of the Internet to locate details about suppliers and customers

- The use of Internet search engines to locate details about suppliers and customers
- The types of information presented by suppliers and customers on their websites
- B2B and B2C E-Commerce

### 3.2 Explain the use of credit rating agencies

- The role of credit rating agencies and credit rating scores
- Publications on individual organisations and markets
- The use of credit rating scores

### 3.3 Describe systems used in procurement and supply

- Systems for purchase ordering
- Capturing data on expenditures
- The use of portal sites to locate suppliers or customers
- Examples of supplier database systems

## 4.0 Understand pricing methods used for the purchasing of goods or services

### 4.1 Explain the advantages and disadvantages of a range of pricing methods

- Fixed pricing, lump sum pricing and schedule of rates
- Cost reimbursable and cost plus arrangements
- Variable pricing
- Target pricing
- Risk and rewards pricing