

**Subject : Purchasing Policy**

Rev. No.: 00

Pages : 1 of 18

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Effective Date

### 3.1 Policy

- 3.1.1 All purchases are to be executed by the Purchasing Department.
- 3.1.2 All purchases (including service contracts) are to be based on the following criteria -
- a) Competitive quotation basis except for those from reselected purveyors.
  - b) The lowest possible price provided that the best quality products or services for a specific purpose are obtained and the delivery schedule meets the Hotel's desire standard.
- 3.1.3 Orders must be placed in quantities that reflect past consumption patterns and the latest operating forecast in order to ensure that adequate but not excessive supplies of all required products are on hand at all times. This will minimize or eliminate any disruption in guest service and keep inventory investment as low as possible in order to utilize money in more productive activities.
- 3.1.4 Develop and maintain good external relationship with suppliers in order to enhance the ability to obtain valuable technical assistance, a favorable industry image and to secure smooth operation.
- 3.1.5 Maintain sound co-operative relationships with other departments, providing information and advice as necessary to ensure the effective operation of the hotel as a whole.

### 3.2 Introduction

- 3.2.1 This section explains the procedures to be followed in purchasing.  
Detailed procedures are described in the following order :-
- a) Purchases Requisitioning ;
  - b) Purchasing ;
  - c) Maintaining Purchasing Data ;
  - d) Monitoring of Delivery ; and
  - e) Receiving.

## Purchase Requisitioning

### Recognized need

- 3.2.2 All the authority to request a needed item is rested on those responsible for running specific department. Therefore in is necessary that all the departments concerned communicate their needs to the Purchasing Department. This is generally handled by way of purchase requisitions which the quantity to order is often left to the discretion of the department head involved.
- 3.2.3 There are three ways for an operating department or storeroom clerk to initiate a purchase of goods or services:-
- a) Raise a Purchase Requisition;
  - b) Raise a Daily Market List (Pre-printed form)
  - c) Apply for petty cash (not exceeding Baht2,000)
- 3.2.4 Item a) and b) must be approved by Division Head and submitted to the Purchasing Department together with the balance of stock on hand.

## Order Processing

### Responsibility

- 3.2.5 User departments are responsible for initiating the purchase of goods or services required. The person who authorities the requisition should ensure that the items to be purchased are necessary for the department's operation and are within budget.

### Reordering

- 3.2.6 In conjunction with perpetual Inventories, minimum stock reorder point should be established. These minimum amounts to be kept on hand must allow for amounts used, Delivery dates, and waiting times. A safety may also be used to allow for the fact that Unusual business may warrant an extra quantity (or a percentage of normal consumption established by management) being kept on hand.
- 3.2.7 Minimum and maximum level will be used to control amount to be Purchase. Whenever a stock reaches a minimum point an order is placed. Instead of using only the minimum base, however, a maximum amount to be kept on hand is to be considered. The amount to order would be the maximum amount leas any inventory over the maximum consumed during the delivery period.
- 3.2.8 In order to keep inventory investment at the lowest possible level sufficient for Continuous consumption, maximum stock level, at any given period, may be derived from the following pre-condition factors :-

Subject : Purchasing Policy

Rev. No.: 00

Pages : 3 of 18

Issued by

Verify by

Approved by

Effective Date

- a) Minimum quantity per order as required by the supplier, or Discounts for quantity buying ;
- b) Value of the order to be placed ;
- c) Frequency and type of merchandise (Perish ability)
- d) Delivery schedule of purveyors ;
- e) Storing facilities ;
- f) Turnover desired ;
- g) Production schedule.

3.2.9 It is the joint responsibility of user department purchasing department and Hotel Financial Controller to determine the appropriate stock level (base on forecast of needs and past consumption pattern).

Example

XXX requires two weeks for the delivers from the order date. It is estimated that Suppose stock of 100 units will be consumed during two weeks period. In order to allow for unusual consumption during that period, 10% or 10 units is being provided for as a safety stock. It is agreed by the management that the maximum stock desired to be on hand is 250 units. The reorder points in this case is 100 units (i.e. whenever a stock level reaches 110 units, a purchasing requisition is raised by the party concerned) and the amount to be ordered is 250 units. However, if the present stock level is 180 units and it came time to order, the amount to be order would be the maximum amount (250 units) less any inventory over the maximum (100) consumed during the delivery period (180-100 = 80). Therefore the order quantity would be 250-80 = 170 units.

Criteria for Raising Purchase Requisition

A Purchase requisition is prepared for all non food items (purchase of food items are handled by means of daily market list). It is prepared by the user department according to the budget allocated and is then sent to the Purchasing Department who will obtain quotations. After this process, the requisition is passed on to the purchasing department for budget checking. A purchase order will be made according to the requisition.

Subject : Purchasing Policy

Rev. No.: 00

Pages : 4 of 18

Issued by

Verify by

Approved by

Effective Date

## Preparation of Purchase Requisition

- 3.2.10 The person in the user department who has responsibility for raising requisitions prepare a pre numbered Purchase requisition, in triplicate, stating the following details:-
- a) the department name ;
  - b) date ;
  - c) the required delivery date ;
  - d) place delivery ;
  - e) description of goods or service and quantity required ;
  - f) reason for purchase ; and
  - g) Special instruction (of any).

### Note :

In preparing the Purchase Requisition, the responsible person should take into account the detail time requires in order to ensure that the materials or goods will be delivered on the date required.

- 3.2.11 The Purchase Requisition number should be entered in a control book before submission of the Purchase Requisition to the authorized person for approval.
- 3.2.12 The authorized person (Usually department head) should review the items requested to ensure that they are necessary for the department's operation and that are within the approved budget before signing the Purchase Requisition as evidence of approval.
- 3.2.13 The Purchase Requisition is distributed as follows :-
- Original : Purchasing Department, filing in numerical order
  - 2<sup>nd</sup> copy : Purchasing Department, for action on purchasing
  - 3<sup>rd</sup> copy : (via Purchasing Department ) Finance and Accounting Department, to be attached to Purchase Order for matching with payment supporting document; and
  - 4<sup>th</sup> copy : Requisition/User Department, for filing and follow-up of purchase.
- 3.2.14 The raiser of the Purchase Requisition records the return of the authorized Purchase Requisition in the control book. This book should be reviewed weekly for Purchase Requisitions not action within a reasonable period which should then be followed up and approved.

**Subject : Purchasing Policy**

Rev. No.: 00

Pages : 5 of 18

Issued by

Verify by

Approved by

Effective Date

Revision of Purchase Requisition

- 3.2.15 Should the approved Purchase Requisition need to be revised in respect of cost increases, e.g. upgrading specification/quality and increase in quantity require, a new Purchase Requisition should be issued to replace the previous one. The new Purchase Requisition should contain the reason for reissue and refer to the previous requisition. The old Purchase Requisition should be attached to the new Purchase Requisition for processing.
- 3.2.16 The revision of other details such as delivery date or place of delivery should be made by revising/correcting the original Purchase Requisition (copy of the Purchasing Department) and should be initialed by the responsible person.

Preparing Specifications

- 3.2.17 Whenever practical, it is recommended that purchasing specification be completed for major items of expenditure. The Purchasing Manager, together with user department head, has to develop a specification for all the major items of expenditures. This will form the basis for the description, quality, packing, and other requirements for the purchasing staff which will reduce or eliminate misunderstanding between supplier and the hotel and allow the person responsible for receiving to check the quality of delivery goods against a written description of the quality desired.
- 3.2.18 Specifications should be classified in the following major categories :-
- a) Meal
  - b) Poultry
  - c) Sea food
  - d) Fruit
  - e) Vegetables
  - f) Dairy products
  - g) Dry store items
  - h) Housekeeping supplies
  - i) Kitchen equipment
- 3.2.19 When developing specifications, reference should be made to the specifications issued by authoritative institutions or Government Departments. In addition, specification must be carefully written and tailored to the needs of the hotel.

Subject : Purchasing Policy

Rev. No.: 00

Pages : 6 of 18

Issued by

Verify by

Approved by

Effective Date

## Purchasing

### Responsibility

- 3.2.20 The Purchasing Department should ensure that every purchase serves the company's best interest. The quality of materials or goods should be in accordance with requirements. Prices should be as low as possible and delivery should be punctual.

### Pre purchasing review

- 3.2.21 Prior to conducting a purchase the purchasing personnel should take the following action :-
- a) check the authorization to ensure that it is in accordance with the approved limit;
  - b) Check the requested to ensure that they are for normal business requirements. Any irregularities should be referred to the Purchasing Manager; and
  - c) Check and record, against the capital expenditure budget, the accumulated budget used both month-to-date and year-to-date, and the budget balance upon rising purchase order.
- 3.2.22 The purchasing personnel then initials his name on the Purchase Requisition as Evidence of checking.
- 3.2.23 The Purchasing Manager reviews the Purchase Requisition and distributes it to the Relevant purchasing personnel.

### Sourcing of Supplies

- 3.2.24 In selecting a supplier, the purchasing personnel should make a short list of three potential suppliers, whenever possible.
- a) experience ;
  - b) yellow pages ;
  - c) trade journals ;
  - d) advertisements ; or embassies or trade offices

Subject : Purchasing Policy

Rev. No.: 00

Pages : 7 of 18

Issued by

Verify by

Approved by

Effective Date

### Price Comparison and Selection

3.2.25 After obtaining quotations from the potential supplies the purchasing personnel should prepare a Price Comparison and selection form indicating following details :-

- a) code and description of materials and goods ;
- b) method of purchase (e.g. quotation, negotiation or price inquiry) ;
- c) names and addresses of suppliers who submitted quotations ;
- d) quotations ;
- e) delivery schedule ; and
- f) After-sales-service, if any.

3.2.26 The purchase personnel should review the offers and select the supplies based on the criteria set out. During the review of quotations they should consult with the Purchasing Manager to ensure that the best offer is selected.

3.2.27 The purchasing personnel, after selection of the supplier, may ask the selected supplier for discount or better terms of payment, if possible.

3.2.28 Where the price has been negotiated, the Purchasing Manager, after negotiation, should prepare the Price Comparison and Selection form to document the results of the negotiation. The Purchasing Manager and the Management Team member who participates in the negotiations should also sign on the form.

### Selection Criteria

3.2.29 The selection criteria which should be applied in vendor selection are as follows :-

- a) The VALUE FOR MONEY of the materials or goods from the suppliers ;
- b) The QUALITY of the offer compared with those at a lower price ;
- c) The PERFORMANCE of the offer supplier in terms of punctuality of delivery, after-sales-service, and cooperation with the company.

**Subject : Purchasing Policy**

Rev. No.: 00

Pages : 8 of 18

Issued by

Verify by

Approved by

Effective Date

Preparation of Purchase Order

3.2.30 After selection of the supplier, the purchasing personnel should place the order with the supplier. The Purchasing Manager is responsible for issuing purchase orders, They are to be issued in a numerical sequence stating the following details :-

- a) date of Purchase Order ;
- b) vendor's name and address ;
- c) reference to vendor's quotation ;
- d) description of items to be purchased ;
- e) quantity ;
- f) unit price ;
- g) amount ;
- h) purchase Requisition reference ;
- i) terms of payment ;
- j) date of delivery ; and
- k) Delivery address.

3.2.31 The purchasing manager then submit the Purchase Order to the Financial Controller and General Manager/or the designated person for approval.

3.2.32 The Purchase Order in five copies is distributed as follows :-

- Original : Vendor confirmation of terms and conditions of purchase
- 2<sup>nd</sup> copy : Purchasing Department, for monitoring delivery (filed by delivery date pending matching with the receiving report).
- 3<sup>rd</sup> copy : The Account Payable section for notification of purchase and for Matching with the Purchase Requisition and the supplier's invoice.
- 4<sup>th</sup> copy : The Requisitioned department, for notification of purchase processing.
- 5<sup>th</sup> copy : The Receiving section for matching against goods received.
- 6<sup>th</sup> copy : Store for goods inward information.

Revision of Purchase Order

3.2.33 Should a Purchase Order already issued to be revised for specification, quantity or unit Price the purchasing personnel should issued a new Purchase Order. The new Purchase Order should indicate that the reissue is for replacement, and the reference number of the previous order should be shown and attached to the Purchase Order which it replaces.

**Subject : Purchasing Policy**

Rev. No.: 00

Pages : 9 of 18

Issued by

Verify by

Approved by

Effective Date

- 3.3.35 For other changes, e.g. delivery date and place of delivery, the purchasing personnel should prepare a letter to the supplier notifying the changes.

#### Purchase of Food Products

- 3.3.36 Generally, food products can be classified into either perishable or nonperishable items. Perishable items are those that have a relatively short storage, such as dairy and bakery goods, fresh fruit and vegetables, and fresh meet, poultry and seafood products. Nonperishable items, on the other hand, have a much longer shelf life that could, conceivably, run into years.
- 3.3.37 Purchasing certain types of food products demand specific skills which can only be acquired with long experiences and training. The buyer must understand and familiar with kitchen procedures as well as those of food outlets. Purchasing of perishable is usually handed on a daily basis by telephone according to the hotel specifications.
- 3.3.38 The daily request for food purchase (daily market list) is initiated by the responsible chef who completes the inventory volume. This list will then be sent to the Executive Chef who will fill in the quantity of items which he considered should be ordered. This list must be completed by afternoon so that orders can be earlier given to suppliers for next day delivery. The Purchasing Department will be guided by this list and order accordingly. It is recommended that, whenever possible, a minimum of three quotations to be obtained before food orders are placed.
- 3.3.39 The Purchasing Manager should consult with the Executive Chef if a food order seems to be unusually large or the price of a particular item seems to be expensive, and another item could be substituted. With all ordering, whether for perishable or non-perishables, the Purchasing Department should buy from the supplier who can meet the specifications and provide the quality desired at the lowest price. Reliability of the supplier and frequency of shipping can be a consideration.
- 3.2.40 The market list is also used by the Receiving Section as a receiving sheet to identify incoming goods. The receiving clerk checks the invoice or delivery note against the daily market list. After all merchandise has been received, the clerk sends the invoices/delivery notes and the daily market list to the Accounts Department.

Subject : Purchasing Policy

Rev. No.: 00

Pages : 10 of 18

Issued by

Verify by

Approved by

Effective Date

### Purchase of Beverage Items

- 3.2.41 Since most beverages have a relatively long life, Beverage items will be purchase on a weekly basis and the established specification (if any) will be used as a guide. The purchasing agent should familiar with alcoholic brands and types. Normally, alcoholic beverage are classified into three major categories :-
- Malt beverages are produced from malted barley, corn, sugar, herb and other ingredient. Beer, ale, porter, stout and bock fall under this category.
  - Wine is the pure, naturally fermented juice of fresh ripe grapes.
- 3.2.42 Obviously, since mostly brand names are purchased, there is no major task involved in obtaining quality, since all liquor of a particular brand will be of the same quality. There is normally no deterioration of quality while in transit or storage. For most beverage products, specifications would not need to be prepared, since there is generally one agent or vender in the area, quotation sheet become unnecessary due to the price are public knowledge and little deviation occurs from month to month. However, the person responsible for purchasing should be alert to quantity discounts, sales items, or other specials that are of an appropriate quality for purchase by the hotel. In addition, should there by an increase in price, the Food & Beverage Division should be informed immediately so that proper action could be taken for the benefit of the hotel. A requisition should be prepared by the storekeeper head and approved by the F&B Manager and Director based on the inventory issues of the week (or other period as established by the hotel).
- 3.2.43 All beverage purchases should be supported by an authorized purchase order. Unusual or special requests for the purchase of Beverage should be approved by the Food & Beverage Manager and Director before an order is placed.
- 3.2.44 The buyer who responsible for purchasing general store items must have thorough knowledge of a wide rang of items and at times involved in technical aspects of the purchase. Therefore, it is necessary to develop specifications for frequently purchased items and for items with a high consumption

**Subject : Purchasing Policy**

Rev. No.: 00

Pages : 11 of 18

Issued by

Verify by

Approved by

Effective Date

Purchase of Engineering Store Item

- 3.2.45 The brand of all spare parts, Electric wires and lamp bulb, etc. must be specified on the purchase requisition by the Engineering Division. There different quotations must be obtained, one from the sole agent and other from the distributors.
- 3.2.46 In the case of repair and maintenance, the Engineering must state clearly on the requisition what needs to be done, the specification of materials and the time limit. Three tenders should be obtained.

Small Value Items and Petty Cash Purchases

- 3.2.47 Single, items costing less than Baht 2,000 or multiple items purchased in aggregate value less than Baht 2,000 shall be made through petty cash purchase method. The purchasing personnel, after sorting and selecting the supplier/vendor, should note the supplier/vendor name, unit price, and the total amount on the Purchase Requisition. If each purchase on a Purchase Requisition is less than Baht 2,000 a Purchase Order need not be issued.
- 3.2.48 The purchasing personnel should :-
- pass the Purchase Requisition to the authorized officer for approval ;
  - File the original Purchase Requisition in the Small Item/Petty Cash Purchase file.
- 3.2.49 With regards to petty cash purchases the buyer will ask for a petty cash advance in order to purchase the required items.
- 3.2.50 After purchasing the require items, the buyer should clear the advance by submitting the receipt and Purchase Requisition supporting the payment to the cashier.

Maintaining Purchase DataResponsibility

- 3.2.51 The Purchasing Department is responsible for maintaining relevant purchasing information in order assist them in purchasing good or services efficiently.

Records to be Kept and Classification of Store Items

- 3.2.52 In order to establish an information source about the Hotel's suppliers, the following records are the minimum to be kept :-

**Subject : Purchasing Policy**

Rev. No.: 00

Pages : 12 of 18

Issued by

Verify by

Approved by

Effective Date

- purchase records
- price records/contract files
- stock and consumption records
- supplier's records
- good specification files and blue print
- files of manufacture's catalogues

3.2.53 All purchase record will be divided into four categories :

General Store, Food and Beverage, Engineering's Store and Capital Items :-

a) General Stores :-

- i) Housekeeping Department
  - Guest suppliers
  - Linen
  - Miscellaneous
- ii) Stationer and printing (forms)
- iii) Cleaning supplies
  - Soaps and detergents
  - Polished and waxes
  - Sanitary supplies
  - Household sundries
- iv) Paper goods
  - Cocktail napkins
  - Napkins
  - Coasters
  - Place mats
  - Menus
  - cocktail plastic supplies

b) Food & Beverage Department :-

- i) Food
  - Staples
  - Dry Stores
    - Canned goods
    - Bottles
    - Chinese dried goods

**Subject : Purchasing Policy**

Rev. No.: 00

Pages : 13 of 18

Issued by

Verify by

Approved by

Effective Date

- Cold Store
  - Fresh fruit
  - Fresh and frozen vegetable
  - Daily products
  - Meat and meat products
  - Fish and shell fish
  - Poultry and poultry product
  - Frozen products
  - Other perishables
  - Gourmet foods
- ii) Beverage
  - Liquor
  - Beer
  - Wine
  - Mixers - Sodas
  - Syrups
- iii) Miscellaneous
- c) Engineering Store :-
  - i) Tools
  - ii) Nails and screws
  - iii) Timbers
  - iv) Paints
  - v) Lamp bulbs and fluorescent tubes
  - vi) Electric Wires
  - vii) Spare parts
  - viii) Lubricants
- d) Capital Items :-
  - i) Furniture and fixtures
  - ii) Office furniture and equipment
  - iii) Machinery
  - iv) Food & Beverage Department
    - China
    - Glass
    - Silver
    - Linen
    - Kitchen Utensils

Subject : Purchasing Policy

Rev. No.: 00

Pages : 14 of 18

Issued by

Verify by

Approved by

Effective Date

## Monitoring of Delivery

### Responsibility

- 3.2.54 The Purchasing Department is responsible for monitoring delivery to ensure that the supplier delivery the goods according to the schedule stimulated in the purchasing order.

### Procedures

- 3.2.55 The Purchasing personnel should perform a review of all the outstanding orders, including partially filled orders on a daily basis or more frequently as operational needs to expedite the delivery.
- 3.2.56 The purchase personnel should keep users informed of delivery dates. This is to enable them to take any corrective actions if delivery cannot be made.
- 3.2.57 Upon receipt of a Receiving Report issued by the Receiving section, the Purchasing Clerk should :-
- a) match the Receiving Report with the copy of the Purchase Order (2<sup>nd</sup> copy) in the follow-up file ;
  - b) records the receipt in the Purchase Order Register ; and
  - c) File both of them together in the supplier's d file.

### Receiving

#### Responsibility

- 3.2.58 The receiving sections are responsible for receipts of materials or goods. They should ensure that the quantity and quality of the materials or goods received are in accordance with the required specification stated on the Purchase Order.

Note: They are also responsible for transports and distribute merchandise or goods to appropriate area of use or storage. All suppliers are to be instructed to deliver all goods order to the receiving section.

Subject : Purchasing Policy

Rev. No.: 00

Pages : 15 of 18

Issued by

Verify by

Approved by

Effective Date

### General Instruction

- 3.2.59 Before accept any goods delivered, the Receiving Officer, and/or Store Keeper has to ensure that the purchases are supported by approved purchase orders.
- 3.2.60 Under no circumstances should they accept delivery for which no purchase orders have been placed. Suppliers must be instructed to submit delivery notes in triplicate, fully priced together with the merchandise. Supplier should be instructed that no invoices will be paid unless they have copies signed by authorized personnel. In case the Hotel does not receive 3 copies of the supplier's invoice or delivery orders, the receiving clerk must arrange the necessary number of photo-stat copies.
- 3.2.61 The receiving clerk should receive information regarding price of items purchased in order to facilitate Food and Beverage inventory control and Food/Beverage cost recording so that inventory record can be up-to-date and daily Food and Beverage report can be produced on a timely basis. (Without price being known by the receiving clerk may generate a bottleneck in Food and Beverage cost recording).

### Procedure

- 3.2.62 The following is a set of standard receiving practice which have to be followed :-
- a) The receiving clerk must inspect the merchandise received by counting on each item or carefully weighted and checking against the specification contained in the respective purchase orders and invoice/delivery order accompanying the delivery. Depending upon the kind of merchandise being received, the Chef or Engineer may be requested to inspect the Quality of merchandise and reject items not meeting the purchase specification.
  - b) For the perishable food items, an examination to detect sign of deterioration and an inspection to determine freshness may be determined by a visual examination or in some cases from the date stamps used by purveyors. After acceptance it may be advisable for the receiving clerk to date stamp and/or affix tag or note the date on the item. This is to facilitate the first-in first-out use of materials in the production process.

Subject : Purchasing Policy

Rev. No.: 00

Pages : 16 of 18

Issued by

Verify by

Approved by

Effective Date

- c) If goods were delivered without an invoice or delivery order, a triplicate “memorandum invoice” should be prepared listing name of supplier, date of delivery, description, count or weight of items along with prices copied from the respective purchase order/the market quotation sheet so that it can be later matched with the actual invoice sent later by the supplier to the accounting office.
- d) After checking by the receiving clerk, all invoices or a memorandum invoice should be initialed and rubber stamped to show that the merchandise has been checked and accepted.

Sample format

XX Hotel

Receiving Section

Verification

: Initial/Date

Check Quality

: .....

Check Quantity

: .....

Check Term & Condition

: .....

Check Against Purchase Order

: .....

Received by

: .....

Subject : Purchasing Policy

Rev. No.: 00

Pages : 17 of 18

Issued by

Verify by

Approved by

Effective Date

- e) If goods are delivered and then returned to the supplier because they are not of acceptable quality, short shipped or for some other reason (e.g. discrepancies in the prices/extensions between delivery order and the purchasing order), the receiving clerk prepare a credit memorandum in triplicate carrying necessary details including a clear explanation for request for credit and obtaining delivery person's signature acknowledging the credit. An immediate notification to the purchasing department should be made at this time by the receiving clerk.
- f) The receiving clerk prepares five copies of good received note and four copies in case of FF& E items which are classified into the following categories each of which is prepared separately for each individual good received note
  - 1) Food
  - 2) Beverage
  - 3) Engineering and General Supplies
  - 4) Furniture, Fixture and Equipment

The note refers to the number of purchase order or daily market list and lists all invoices/delivery orders of merchandise received.

The receiving clerk then distributes the good received note as follows :-

- 1<sup>st</sup> copy : Store clerk for perpetual inventory record updating in BIN (with no price being recorded in this copy for internal control purpose)
- 2<sup>nd</sup> copy : Accounts Payable Section, in case of FF&E items.
  - : Assistant manager – Accounts payable with the supplier's invoices and credit memorandum (if any) via cost control section/Receiving section in case of FF&E items
  - : Bookkeeping clerk, in case of FF&E items, together with a copy supplier's delivery for recording in Fixed Assets Register.
- 3<sup>rd</sup> copy: Inventory control section together with a copy of supplier's delivery note updating stock card.
- 4<sup>th</sup> copy : Purchasing Department, for matching with the purchase order in the & 3<sup>rd</sup> copy delivery follow up file ;and(FF&E items)
- 5<sup>th</sup> copy : File in sequential number in receiving section/department concerned &
- 4<sup>th</sup> copy (FF&E items)

**Subject : Purchasing Policy**

Rev. No.: 00

Pages : 18 of 18

Issued by

Verify by

Approved by

Effective Date

The store clerk stores all items in proper storage locations as soon after delivery as possible. Items that are put directly into production (either in the kitchen or sales area) are referred to as direct purchases. The normal procedure is to record the amount into Direct purchase column in daily receiving report (apart from storeroom purchase) and have the party receiving the merchandise sign for the amount received.

In case of inventory control of direct purchase to kitchen, the receiving clerk stamps "Direct" on invoice and good received note. Otherwise the receiving clerk stamps "Inventory" If goods are sent to storeroom.

- g) At the end of each day, daily receiving summary is prepared for four copies to summarize all kinds of merchandises purchased, i.e. food, beverage, supplied both direct to purchase and purchase to the store.

The report details good receiving note number, supplier name, invoice number and other relevant information.

The receiving clerk distributes the daily receiving summary as follows :-

1<sup>st</sup> copy : Cost control

2<sup>nd</sup> copy : Account payable section

3<sup>rd</sup> copy : Store

4<sup>th</sup> copy : File in the date order in receiving section