

# Certificate in procurement and supply operations

## Unit content guide



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# Introduction

The Chartered Institute of Purchasing & Supply qualifications ladder has five levels of awards. For details of the entry requirements for each level, please refer to [www.cips.org](http://www.cips.org).

The CIPS Certificate in procurement and supply operations is a vocationally related qualification. It has been accredited by the Office of Qualifications and Examinations Regulator (Ofqual) in the UK and appears on the Register of Regulated Qualifications. Please refer to <http://register.ofqual.gov.uk>

The Certificate in procurement and supply operations consists of five compulsory units. Assessment for each unit is by examination.

If you wish to study for the Certificate it is expected that you will undertake 20 guided learning hours per unit, ie a total of 100 guided hours. The definition of guided learning hours is:

“A measure of the amount of input time required to achieve the qualification. This includes lectures, tutorials and practicals, as well as supervised study in, for example, learning centres and workshops.”

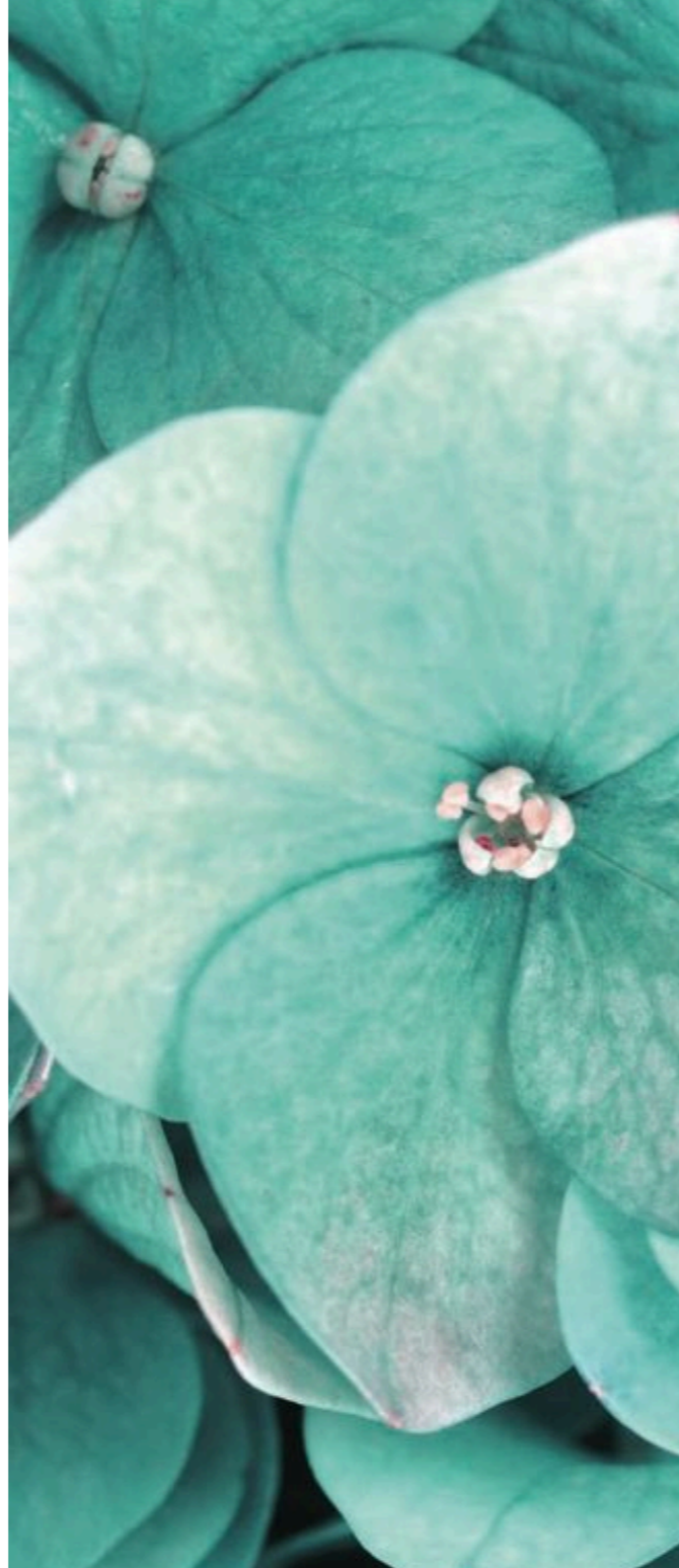
If you study at a CIPS study centre, you will find that they may vary on the exact format for delivery of the study programme. Additionally we would recommend that you also commit a similar number of hours of self-study, including wider reading of the subject areas and revision to give yourself the best preparation for successfully achieving the certificate.

Below is a list of the units, their qualification framework reference numbers and CIPS reference code which is used to identify the unit for examination purposes.

## Certificate in procurement and supply operations

Qualification number:

Unit Title:	Qualification Number	CIPS Reference
CIPS reference		
Procurement and supply principles		NC01
Procurement and supply functions		NC02
Procurement and supply processes		NC03
Procurement and supply administration		NC04
Procurement and supply stakeholders		NC05



# Glossary of qualification terms

## Assessment

Assessment is the way in which CIPS will measure whether or not a learner is able to demonstrate their knowledge, understanding and be able to apply their learning in a given situation.

## Assessment criteria

Assessment criteria specifies the standard that a learner is expected to meet to demonstrate that the learning outcomes of a unit have been achieved.

## Business essentials

These are commonly occurring themes through the qualifications, that do not warrant a unit in their own right, but that are important holistically to the learning undertaken within the qualifications:

- business finance
- information technology
- legislation
- leadership
- management
- strategy

## Command words

Command words are generally verbs that are used to indicate the level of learning undertaken. They tend to be hierarchical in nature. For example, when studying towards the certificate a command word could be ‘describe’ or ‘define’, whereas a command word for the professional diploma might be ‘critically assess’, or ‘critically evaluate’.

These words reflect the level of complexity of your learning and ultimately your assessment at that level.

## Compulsory units

These are units that constitute necessary knowledge and understanding to fulfil learning requirements for CIPS qualifications.

## Credit value

A quantified means of expressing equivalence of learning where 1 credit is equivalent to 10 hours of study.

## Entry level

This is the point at which you will enter the CIPS qualifications ladder. This entry will be based on pre-requisite knowledge, understanding and experience.

## Exemptions

Learners who have successfully completed other relevant qualifications may apply for exemptions from equivalent CIPS units in their programme of study. To earn an exemption from a qualification or specific units within CIPS qualifications you should contact CIPS or see [www.cips.org](http://www.cips.org)

Please note that gaining an exemption, does not mean that you gain an exit award at that level, rather that you bypass that level of learning because of equivalent learning and achievement gained elsewhere.

**Exit award**

An exit award is in essence a qualification. CIPS has five exit awards in total:

- Certificate in procurement and supply operations
- Advanced certificate in procurement and supply operations
- Diploma in procurement and supply
- Advanced diploma in procurement and supply
- Professional diploma in procurement and supply

For each qualification you study, you will receive a certificate of achievement confirming your exit award.

**Indicative content**

The indicative content is an indication of the knowledge required in order to fulfil the assessment criteria to achieve the learning outcome.

**Learning outcome**

The learning outcome within a unit sets out what a learner is expected to know, understand, or be able to do as a result of a process of learning.

**Ofqual**

CIPS is an Awarding Body recognised by Ofqual. Ofqual regulate qualifications, examinations and assessments in England and vocational qualifications in Northern Ireland. It is their duty to ensure all learners get the results they deserve and that their qualifications are correctly valued and understood, now and in the future.

**Optional units**

These are units where you have choices to specialise in an area of interest. There is an opportunity to select two optional units at advanced diploma and two optional units at professional diploma.

**Qualifications ladder**

This ladder represents the hierarchical nature of CIPS qualifications. The ladder has five steps within it. It starts with a Certificate through to the Professional Diploma. Each step of the ladder is represented by a qualification with an 'exit award'.

**Unit**

A segment of learning within the CIPS qualifications. Each unit is individual, has its own title, rationale and content. A unit will also have an assessment attached to it in order to demonstrate achievement and conclusion of the learning.

**Unit purpose and aims**

Unit aims provide additional information about the unit; a succinct statement summarises the learning outcomes of the unit.

Each unit has four to five learning outcomes which outline what will be achieved as a result of learning in that particular unit.

**Weightings**

Each unit has a number of learning outcomes that are equally weighted for example: If a unit that has four learning outcomes totalling 100%, each learning outcome will be equally weighted ie 25% (100% divided by 4 = 25%). This weighting indicates the level of input and learning required by the study centre and the learner in order to complete the subject area.

# Definition of additional terms used in this guide

**Duopoly**

A situation in which two companies own all or nearly all of the market for a given product or service.

**JIT • Just in time**

Originally a concept imported from Japan, based on the idea that only sufficient quantities should be manufactured or be made available to satisfy customers' immediate needs. Relies on an efficient supply chain for its success.

**KPIs • Key performance indicators**

Also known as key success indicators. They are financial and non-financial metrics used to reflect the critical success factors of an organisation or contract. They are used in business intelligence to assess the present state of business or a contract and to prescribe the next course of action.

**Monopolies**

A situation in which a single company or group owns all or nearly all of the market for a given type of product or service.

**MRP • Material requirement planning**

A product orientated computerised technique aimed at minimising inventory and maintaining delivery schedules.

**MRPII • Manufacturing resource planning II**

MRPII is concerned with almost any resource entering into production, including manpower, machines and money in addition to materials. This is why the word 'resource' is usually substituted for 'requirement' when referring to MRPII.

**Not for profit or third sector**

These are voluntary and community organisations such as charities and also social enterprises (social enterprises have social or environmental purposes as central to what they do). They are profit making but rather than maximising shareholder value their main aim is to generate profit to further their social and environmental goals.

**Oligopoly**

A situation in which a particular market is controlled by a small group of firms.

**P2P • Purchase to pay**

Refers to the business process that cover activities of requesting, purchasing, receiving, paying for and accounting for goods and services.

**Primary, secondary and tertiary sectors**

The primary sector of the economy, extracts or harvests products from the earth. The primary sector includes the production of raw material and basic foods.

The secondary sector of the economy manufactures finished goods. All of manufacturing, processing, and construction lies within the secondary sector.

The tertiary sector of the economy is the service industry. This sector provides services to the general population and to businesses.

**Private sector**

The part of the economy that is not government controlled, and is run by individuals and companies for profit.

**Procurement**

The activities associated with acquiring products or services. The range of activities can vary widely between organisations to include all or parts of the functions of procurement planning, purchasing, inventory control, traffic, receiving, incoming inspection and salvage operations.

**Public sector**

The public sector is composed of organisations that are owned and operated by the government.

**Purchasing**

The functions associated with buying the goods and services required by an organisation.

**Supply chain**

Starting with unprocessed materials and ending with the final customer using the finished goods, the supply chain links the companies together.

**CREDIT VALUE 3****UNIT PURPOSE AND AIM(S)**

On completion of the unit, candidates will be able to describe fundamental principles of procurement, supply and supply chains.

In any organisation, a significant proportion of costs are accounted for by the purchases of products, services or constructional works. Equally, any organisation will also be supplying products, services or works to their customers whether these are other organisations, consumers or the public.

# Procurement and supply principles

**LEARNING OUTCOMES****1.0 Know the roles of procurement and supply within organisations**

- 1.1 Define the common terms that describe aspects of procurement and supply**
- Definitions of common terms such as procurement, purchasing, buying, supply chain, materials management, distribution, logistics and contract management
- 1.2 Describe the roles of procurement and supply in organisations**
- The typical proportion of costs accounted for by procurements of goods and services
  - The roles of procurement and supply and procurement professionals
  - Achieving value for money
  - Sustainability in procurement and supply
  - The roles of staff with devolved responsibilities for procurement
- 1.3 Describe the benefits of effective procurement for organisations**
- How effective procurement impacts on profitability - The profit contribution effect
  - Creating savings and improving efficiency
  - Budgets and budget monitoring
  - How effective procurement helps achieve targets
- 1.4 Identify the five rights of procurement and supply**
- The five rights of procurement and supply
  - Price/ total cost, quality, timing, quantity and place
  - Defining value for money

**2.0 Know how products and services are received from suppliers and delivered to customers**

- 2.1 Describe the delivery of products and services that organisations make to customers**
- Defining products and services
  - The customer role
  - Seeing customers as a part of a supply chain

**2.2 Describe the delivery of products and services made by external suppliers**

- The need for supplies of products and services from external suppliers
- Outsourced services
- Seeing suppliers as a part of a supply chain

**3.0 Know the main stages of the sourcing process****3.1 Describe the main stages of a sourcing process**

- Identification of needs
- Producing specifications
- Requesting quotations
- Receiving quotations
- Assessing suppliers quotations
- Making contract award recommendations
- Contract authorisation
- Order placement, blanket orders/ frameworks and call off orders
- Performance and delivery
- Payment of suppliers
- Expediting deliveries
- Reviewing outcomes and processes
- Pre and post award stages of a sourcing process

**4.0 Understand what makes up the main components of a supply chain****4.1 Explain the main components of a supply chain**

- Customers and their customers
- Customers and consumers
- Suppliers and their use of suppliers
- Tiers of a supply chain
- The global aspects of supply chains
- Examples of supply chains in action

**CREDIT VALUE 3****UNIT PURPOSE AND AIM(S)**

On completion of this unit, candidates will be able to identify:

- A) The main types of organisations
- B) The main elements of a procurement and supply function
- C) The main market factors and their impact on the procurement and supply function.

# Procurement and supply functions

**LEARNING OUTCOMES****1.0 Know the main types of organisations and how they operate****1.1 Identify the main types of 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 main 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 main elements of a procurement and supply function****2.1 Describe the use of mission and vision statements and objectives by a procurement and supply function**

- Objectives of procurement and supply functions
- Targets for procurement and supply functions
- Use of mission and vision statements for procurement and supply functions

**2.2 Describe the main roles and structures of a procurement and supply function within an organisation**

- Links to organisational goals
- Competition and regulatory roles
- Advice and guidance that a procurement and supply function can provide to other functions
- Procurement and supply as a service function
- Centralised, devolved and lead buying structures of procurement and supply functions

**2.3 Define the main procedures that can be created by a procurement and supply function**

- Delegations of authority and approvals
- Procedures that apply to running competitions between suppliers
- Auditing compliance with internal procedures

**3.0 Know the main market factors that impact on a procurement and supply function****3.1 Identify the main economic sectors that impact on a procurement and supply function**

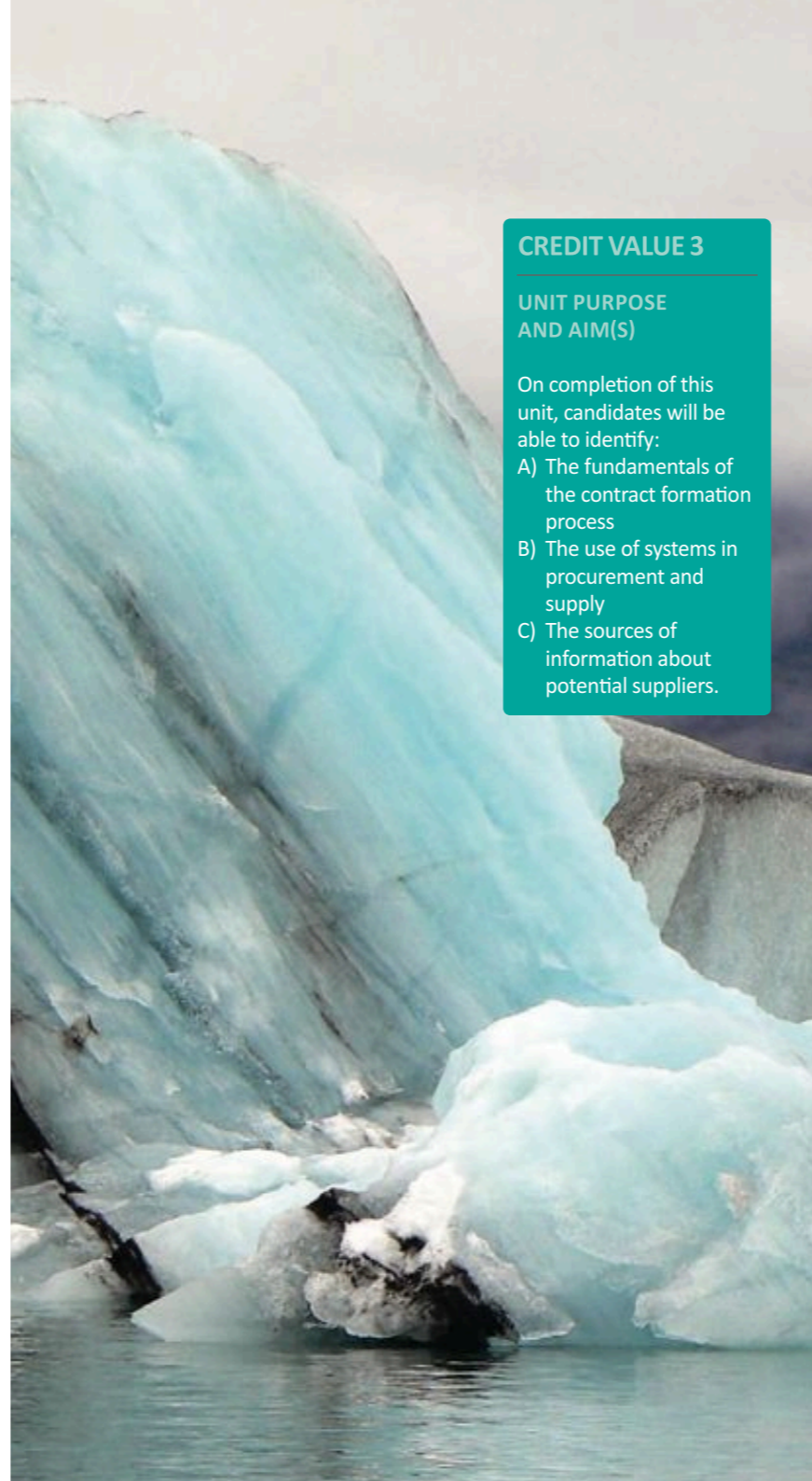
- Public, private and not for profit or third sector
- Primary, secondary and tertiary sectors

**3.2 Describe the impact of demand and supply on markets**

- Demand and supply curves
- How demand and supply factors can change
- How demand and supply factors can impact on pricing and availability

**3.3 Describe how market factors impact on the procurement and supply activities of an organisation**

- The level of competition: perfect competition, imperfect competition, oligopoly, duopoly and monopolies
- The impact of demand on sales
- Market growth and decline
- Competitive forces on organisations

**CREDIT VALUE 3****UNIT PURPOSE AND AIM(S)**

On completion of this unit, candidates will be able to identify:

- A) The fundamentals of the contract formation process
- B) The use of systems in procurement and supply
- C) The sources of information about potential suppliers.

# Procurement and supply processes

**LEARNING OUTCOMES****1.0 Know the main components of contractual agreements****1.1 Describe the main types of contracts**

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

**1.2 Identify the main kinds 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

**1.3 Describe 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

**2.0 Know the main sources of information on suppliers and customers****2.1 Describe 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

**2.2 Describe 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

**2.3 Describe the use of intranet, extranet and internet sites to publicise information**

- Distinguishing between the intranet, extranet and internet sites
- Information for help and advice on an intranet site
- The information for the wider community on company websites

**3.0 Know the main types of systems for supplier selection, ordering and payment****3.1 Describe the use of electronic sourcing systems for supplier selection**

- Defining esourcing
- Attracting quotations or tenders through an etendering or esourcing system
- The publication of enotices

**3.2 Identify 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

**3.3 Describe P2P (purchase to pay) systems for ordering from suppliers and payment to suppliers**

- The P2P process from the creation of requisitions, to raising requests for quotations or tenders, receipt of quotations or tenders, delivery documentation, invoicing and payment
- Examples of P2P systems

**CREDIT VALUE 3****UNIT PURPOSE AND AIM(S)**

On completion of this unit, candidates will be able to explain how effective administration can ensure that timely deliveries are achieved by suppliers.

This unit will explain the necessary documentation and administrative processes that are involved in forming agreements with external suppliers.

# Procurement and supply administration

**LEARNING OUTCOMES****1.0 Understand the need for the effective and efficient administration of purchases made with external suppliers****1.1 Define effective and efficient administration**

- Defining administration
- Reviewing the steps taken to forming agreements made with suppliers
- Defining effectiveness and efficiency

**1.2 Explain the administration of the pre contract stages of a sourcing process**

- The creation of requisitions and requirements
- The use of specifications, key performance indicators (KPIs) and contract terms
- The creation of requests for quotations or invitations to tender
- The use of prequalification questionnaires
- The submission of quotations or tenders for requirements
- The assessment of quotations and tenders

**1.3 Explain the administration of the award and post award stages of a sourcing process**

- The creation of orders or tender award documentation
- Delivery notes and order acknowledgements
- Receiving invoices
- Invoice matching and dealing with non-compliances

**1.4 Describe the need for approvals in the administration of procurement and supply**

- Typical procedures for authorising budgets, requisitions, orders and tenders
- The separation of duties
- Contract recommendation and authorisation
- Levels of delegated authority for contracts
- Ensuring an efficient approval process

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## 2.0 Know the main techniques used for ordering supplies

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### 2.1 Describe what is meant by direct and indirect supplies

- Definitions of direct and indirect supplies
- Examples of direct and indirect supplies
- Goods for resale and goods not for resale

### 2.2 Identify the main costs associated with holding inventories

- Analysing the costs of inventory
- The costs associated with stock outs and excess inventories

### 2.3 Describe techniques commonly used for ordering inventories

- Re-order point control and re-order quantities
  - MRP and MRPII systems
  - Just in time approaches
  - Enterprise resource planning systems
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## 3.0 Know the main approaches to achieving timely deliveries of products or services

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### 3.1 Define the processes that should be used when expediting supplies

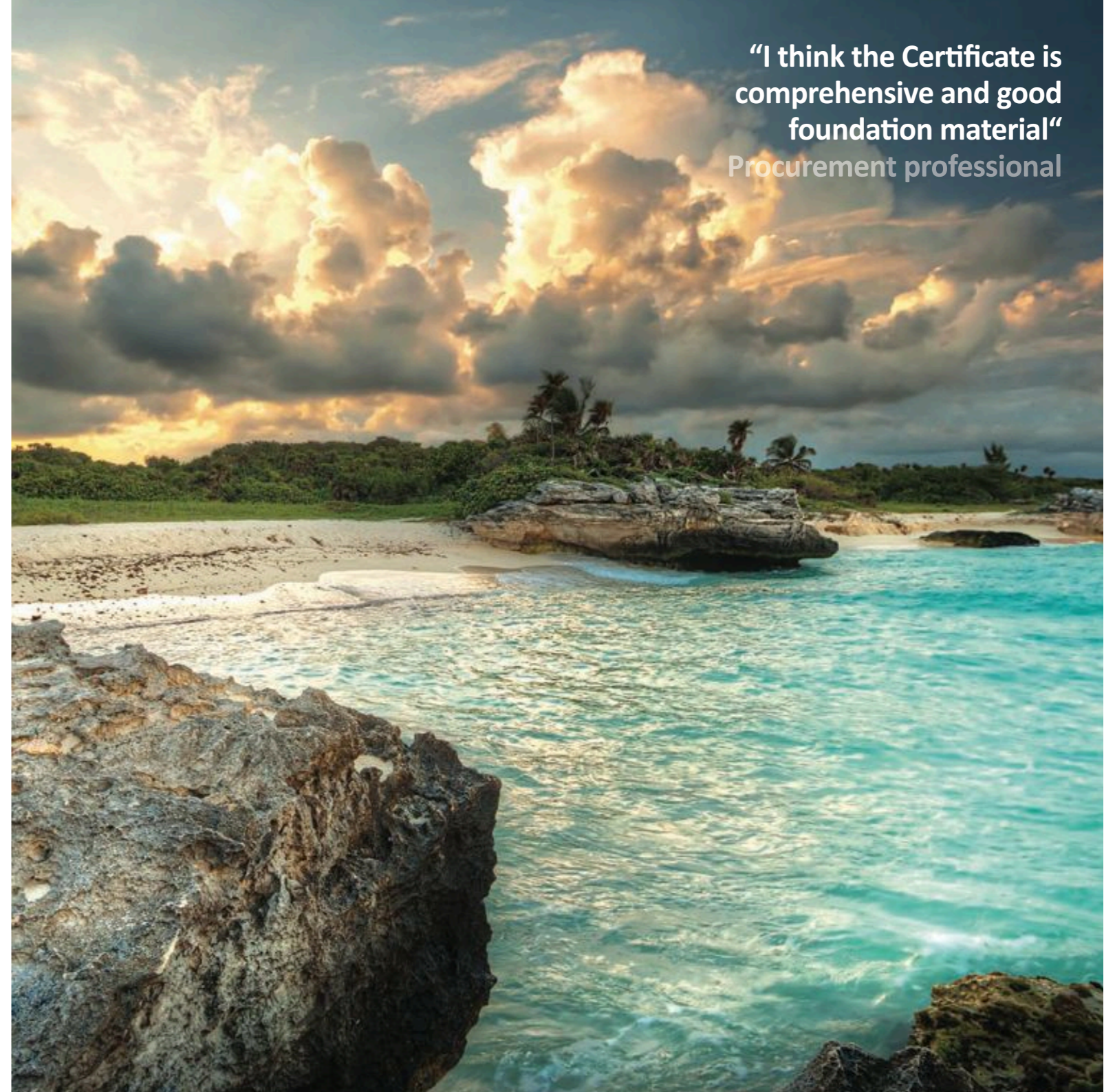
- Defining expediting
- Problem solving
- Tracking the relevant documentation
- Obtaining written confirmations
- Review agreements made

### 3.2 Describe the importance of effective communication with suppliers and customers to achieve timely deliveries

- The perceptual process
- Interacting with other people and building rapport
- Effective communication

### 3.3 Describe the use of forecasting to achieve timely deliveries of supplies

- The use of forecasting
  - Subjective and objective techniques in forecasting
  - The difficulties associated with forecasting
- 



**“I think the Certificate is comprehensive and good foundation material”**  
Procurement professional



# Procurement and supply stakeholders

## LEARNING OUTCOMES

### 1.0 Know the main stakeholders in procurement and supply

#### 1.1 Identify the main external stakeholders in procurement and supply

- Defining stakeholders
- Typical stakeholders such as suppliers, customers, consumers, communities, government and other groups
- The distinction between customers and consumers

#### 1.2 Identify the main internal stakeholders that can be involved in purchases from suppliers and supplies delivered to customers

- The role of procurement and supply in dealing with other business functions such as marketing, sales, production, operations, human resources, finance, design and development, distribution, facilities, senior management and the board of management

### 2.0 Know the main approaches for conflict resolution with stakeholders in procurement and supply

#### 2.1 Describe how conflict can arise in the work of procurement and supply

- Defining workplace conflict
- The sources of conflict in organisations and between personnel
- The sources of conflict between organisations and their personnel

## CREDIT VALUE 3

### UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will be able to:

- A) Explain how effective relationships can be formed with suppliers, customers and other stakeholders
- B) Identify the main principles of quality management.

#### 2.2 Describe approaches to conflict resolution with stakeholders in procurement and supply

- Approaches to conflict resolution
- Clarifying roles and responsibilities
- Group cohesion
- Achieving buy in from stakeholders

#### 2.3 Explain the contribution that effective teamwork can make when dealing with conflict with stakeholders in procurement and supply

- Group cohesiveness and performance
- The characteristics of an effective work group
- The stages of team development

### 3.0 Know why quality management is important in procurement and supply

#### 3.1 Define the main components of quality management in procurement and supply

- Definitions of quality, quality control, quality assurance and total quality management
- Quality as a philosophy
- Getting things right first time

#### 3.2 Identify the costs of quality

- Prevention and appraisal costs
- The internal and external costs of quality
- Organisational reputation

#### 3.3 Describe the main techniques associated with quality assurance and quality management

- From quality inspection to quality assurance
- Quality circles
- The use of control charts
- Achieving continuous improvement

### 4.0 Know why clear ethical codes of practice should be used in procurement and supply

#### 4.1 Describe the role of ethical codes in procurement and supply

- The scope of business ethics
- Treatment of stakeholder groups
- Behaviours towards suppliers, customers and competitors

**4.2 Describe the details that should be included within standard ethical codes**

- The use of ethical codes such as the CIPS Code of Ethics
- Regulations in ethical standards
- Codes for sustainable procurement

**4.3 Describe the impact of corporate governance on a procurement and supply function**

- The principles of corporate governance
- Mechanisms and controls in the corporate governance of procurement and supply