# ***Check list on Purchases and creditors***

1. **Centralization of purchase department – controlled by HO** (Whether All major purchases are done or controlled from head office or not and if not then which person bear the responsibility for the same..?)

2. **Purchases** :-
   - ❖ Purchases to be made from approved suppliers in case of raw material.
   - ❖ List of approved suppliers to be maintained. And obtain a list of approved suppliers of principal and major Raw material.
   - ❖ Master list to be maintain for more than one source of supply for all important materials.
   - ❖ A price list of all material from those suppliers also obtained and find out that in how many days such list is changed.
   - ❖ Also notify the procedure of giving a purchase order to a supplier and found any discrepancy in above procedure.
   - ❖ Find out the principal raw material of the product. Principal raw material is that raw material which cost is at least 10% of total cost of the product and a detailed check of those principal raw materials.

3. There are two quotations attached with every purchase order for rate comparison or if a contract is given to any supplier then the copy of such contract should be attached with purchase order. (this Point is specially followed in case of purchase of Fixed Assets.)

4. Purchase orders which is given to a supplier is based on valid purchase requisitions dully signed by authorized person to be maintained and if such signed not obtained then find out the reason for the same.

5. In a manufacturing industry mostly all Raw Material is qualify for cenvat. Hence there should be a proper verification system of booking and

utilization of canvat on all input like raw material, capital goods and input services. An Auditor should check excise records for the same.

6. Special approval required for purchases of capital goods like building, machines, office equipments, furniture and fixtures, etc.

7. We have to obtained two or more competitive quotations from two or more suppliers.

8. If the price verification clause is included we have to take approval by senior official.

9. Following information to be review in purchase orders
   (a) Name of supplier
   (b) Delivery terms
   (c) Description of goods
   (d) Quantity
   (e) Price
   (f) Fright terms
   (g) Payments terms
   (h) Tax calculations

10. Obtaining a list of material wise ageing of raw material and find out that all raw material are regular use or not and if a material is not of regular use then obtain a clarification from concerned authority for the same.

11. Make a list of dead stock and slow moving stock and find out that these type of stock is again purchased even it is already lying in stock.

12. If a material is not used in production after purchase then find out that why this stock has been purchased?

13. There should be a proper follow up system in store department to review the inventory.

14. If a material is discarded or sold as scrap than there should be a approval for the same to authorized the transaction and also see the price at which such stock is sold and cross verification of such rates with approved tendor.

15. If payment to suppliers is made late then find out the reason for the same.

16. Randomly check the weight of material received from suppliers with invoice and note out any discrepancy.

17. Obtain a creditors wise ageing report and find out the balances of creditors laying since long and find out the reason for the same in case if interest on late payment is also has to be paid by the company.

18. Copies of P O and revisions to be forwarded to accounts and receiving Departments

19. List of pending P O complied by the purchase department at least once in every Quarter and find out the reason for those pendency.

20. in the receiving department they are received directly by users/processors/suppliers there we have to make an procedure of obtaining acknowledgement for the quantity received and the condition of goods.

21. And we have to measure ,inspect, counting, the materials in receiving department And we have to compare with our P O.

**22.** We have to obtain acknowledgement from suppliers for goods returned.

**23.** And all receipts of materials must have evidenced by pre numbered goods received notes.

**24.** We have to forward copies of goods received notes to accounts and purchase department.

**25.** In the case of materials returned we have raise a debit note.

**26.** Next we have to enter receipts in to stock records.

**27.** We have to verify original invoice if no avoid payment.

**28.** and we have to attach relative PO and goods received notes to the invoice for payment.

**29.** we have to obtain authorization for advance payment .

**30.** We have to make a list of pending advances /payments for every quarter.

**31.** we have to maintained list of our employees , by designation, with limits of authority in respect of several matters relating to purchase process .

**32.** We have to compare supplier’s statements with ledger accounts..