



CERTIFIED PURCHASING MANAGEMENT EXPERT

CERTIFIED PURCHASING MANAGEMENT EXPERT (CPME)

STUDY GUIDE

Sponsored by:



Business Training Institute

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Please use this guide to assist in preparation for the Certified Purchasing Management Expert (CPME) examination.

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I. BUSINESS TRAINING:

The Business Training Institute is the leading online program for specialized niche business certification programs. The team behind Business Training Institute is comprised of industry experts in niches including online marketing, project management, public relations, consulting, and many more.

This experience, combined with our advisory board's expertise in online education and training, is what makes it possible to provide the training and certification programs found on our website.

The Business Training Institute is part of the G.T.C. Institute, a global training and certification organization that has provided practical industry-specific certification to over 15,000 clients from the United States, Europe, and more than 30 other countries around the world.

We provide high value training programs that provide function knowledge on very specific business topics such as public relations, online marketing, project management, international business, and consulting.

The Business Training Institute's Mission: To provide professionals with high impact business training and certifications in niche subject areas that are functional and immediately beneficial.

The Business Training Institute helps you to:

- Quickly gain specialized knowledge in highly valuable business niches.
- Enhance your credibility, resume, and overall value in the marketplace.
- Complete our training programs in 5 months from anywhere in the world.

Our programs accept participants year-round and are flexible to work with your current work schedule and academic constraints. You can complete one of our programs in 2 months or 2 years; the choice is yours.

MASTER'S CERTIFICATE PROGRAMS: The G.T.C. Institute, LLC is proud to offer several advanced Master's Certificates that require the completion of five programs from the Business Training Institute platform.

To learn more about these Master's Certificates and how to earn one, please see our website: BusinessTraining.com/Masters-Certificate/

II. CPME DETAILS AND TIMELINE:

PROGRAM DETAILS:

The **Certified Purchasing Management Specialist (CPMS)** certification program is unique in that it is modeled after many online courses offered at Ivy League institutions today, offering more value for a more cost-effective program. The CPME Program is a self-study program that includes educational multimedia resources in video form, a study guide, required readings, and a flexible online examination process, accessible around the world.

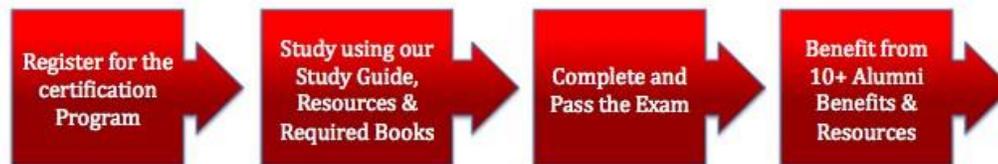
The online exam is structured so that in order to complete the exam within the 2-hour time frame one must read through all of the assigned materials and conceptually understand the majority of the material to score well enough to pass the exam.

Our goal is to offer the most challenging program in the industry while also providing all of the learning tools possible to ensure participants get the most out of the experience. By testing the knowledge depth and comprehension from the materials digested, the CPME certification prepares individuals for successful, real-world application.

The **Purchasing Management Specialist (CPMS)** program is sponsored by the GTC Institute and offered by the Business Training Institute. This certification program is designed to show and certify that you have gained an in-depth understanding and high-level, specialized knowledge.

In addition to the benefits of gained knowledge, growing industry recognition, more knowledgeable career choices, and networking, our organization is also developing additional resources for CPME Participants. This includes video and MP3 recordings on Q&A or strategies and tactics, webinars, access to interviews with internet marketing professionals who have more than 10 years of experience in the industry, among many more benefits.

4 STEP CERTIFICATION PROCESS



TIMELINE & EXAMINATION DATES:

Programs are offered through open enrollment, making our programs 100% flexible with your current work or academic schedule. After joining you may select an examination date that works well for you. Our exams are scheduled on the 1st Wednesday of each new month.

Business Training Institute exams are administered 100% online. **Please note that your exam date request must be received at least 3 weeks before the exam date.**

To register for an examination date:

1. Email your desired exam date to Support@businesstraining.com.

BENEFITS OF THE CPME:

- Add the CPME Designation to your resume and business cards, assuring employers that you are dedicated to working in the industry, passionate about learning more about and able to work more efficiently after being promoted or hired.
- Speak the purchasing management language - Earning the CPME Designation assures that you can attend conferences, interviews and other networking events while being able to contribute

to conversations and understand discussions about current events or trends within the industry. Our program will help you to understand the terms and implement the tactics and tools of leading PR professionals.

- Advance your business or career by raising your level of purchasing management knowledge and increasing your ability to work quickly and effectively.
- Exclusive Access to tools and multimedia training resources found online within the CPME Training Program
- Gain valuable insight into purchasing management tactics that you can implement now without the need of a costly seminar or conference

III. REQUIRED READINGS:

1. *Purchase Order Management Best Practices: Process, Technology, & Change Management* by Ehap H. Sabri, Arun P. Gupta, & Michael A. Beitler. ISBN-13: 978-1932159639
2. *Purchasing* by Michael and Mary Lu Harding. ISBN-13: 978-0764114052
3. *Purchasing & Supply Chain Management* by A. J. Van Weele. ISBN-13: 978-1408018965

IV. CPME EXAM PREPARATION

1. EXAM COMPOSITION:

There are a total of 100 points available to earn for the exam, 80 of which can be earned from the multiple choice or true/ false questions that are worth 1 point each, and 20 of which can be earned from 2 short answer questions that are worth 10 points each. Please see below for the composition and distribution of the points in-depth.

| <u>Topics and Weights</u> | |
|---|--------------------------------|
| Introduction to Purchasing | 20 Multiple Choice Questions |
| Purchase Ordering Management | 15 Multiple Choice Questions |
| Purchasing Strategies | 20 Multiple Choice Questions |
| IT & Purchasing | 10 Multiple Choice Questions |
| The Purchasing Organization and its Structure | 15 Multiple Choice Questions |
| Conceptual, High Level Essay | 2 Short Answer Essay Questions |

You will have 2 hours to complete the exam. Those who have not made the effort to read the materials will have a hard time completing the exam within the allotted time, but for participants who have read the required readings 2 hours will be sufficient.

2. TERMS AND CONCEPTS TO KNOW:

Below, please find the terms and concepts that you should be able to define after having read the required readings.

Please define the terms from the required readings rather than a dictionary. You will be tested on the definitions that authors have provided.

Purchasing and Supply Chain Management

1. Purchasing
2. Supply
3. Raw Materials
4. Expediting
5. Total cost of ownership
6. Sourcing
7. Request for information
8. Request for Quotation
9. Payment terms
10. Buying processes
11. Routine products
12. Bottleneck products
13. E-procurement solutions
14. Outsourcing
15. Request for proposal
16. Maintenance, repair and operating materials
17. Purchasing performance measurement
18. Decentralized purchasing structure
19. Centralized purchasing structure
20. Purchasing efficiency

Purchasing

1. Purchase Order
2. Audit (purchasing)
3. Forecasts
4. Certification
5. Ethics
6. Bribery
7. Conflict of interest
8. Negotiation
9. Letter of credit
10. Ex Works
11. Free along side (F.A.S.)
12. F.O.B. Vessel
13. F.O.B. Airport
14. Cost, Insurance, and Freight (C.I.F.)
15. Delivered Duty Paid –
16. Uniform Commercial Code (UCC)
17. Robinson-Patman Act
18. Contract
19. Blanket order

3. SAMPLE QUESTIONS: (Answers are on the last page of this study guide.)

1. *When products are manufactured from raw material or the purchased components inventory after a customer order has been received and accepted is called:*

- A. Make to Stock
- B. Make to Order
- C. Supplementary materials
- D. Operations

2. *Which one of the following is not considered a responsibility of the purchasing function?*

- A. Selecting the supplier
- B. Inventory Management
- C. Issuing the Order
- D. Negotiating proper price

3. *What are the three strategies to distinguishing market position?*

- A. Make, buy, and spend strategy
- B. Cost leadership, differentiation, and focus strategy
- C. Operations, manufacturing, and shipping strategy
- D. Supplier development, integration, and Cost strategy

4. *A(n) _____ is a contract between a buyer and seller that specifies the items to be purchased, the price that will be paid, and the date that the goods or services are to be delivered.*

- A. Annual report
- B. Quality Audit
- C. Business Plan
- D. Purchase Order

5. *What provides purchasing with the direction to prepare for changes in products, volumes of purchased material, and requirements for new technologies and at the same time can assist with aligning suppliers to meet the company's future needs.*

- A. Forecasts
- B. Purchasing documents
- C. Purchasing Strategies
- D. None of the above

6. _____ *is the deliberate exchange of something of value for a favor rendered.*

- A. Negotiation
- B. Purchasing
- C. Bribery
- D. Ethics

7. *The elements required to make a contract legal is (are):*

- A. An offer and acceptance
- B. Consideration
- C. Legal purpose
- D. Competent Parties
- E. All of the above

8. A major technology breakthrough by providing accurate and real-time information efficiently concerning the movement of product supply is_____.

- A. Radio Frequency Identification
- B. Electronic Data Interchange
- C. Neither A nor B
- D. Both A and B

9. _____is a predetermined quantity to which inventory can drop before replenishment is triggered.

- A. Economic Order Quantity
- B. Inventory Sourcing
- C. Reorder point
- D. Legacy system

10. **True or False.** A vendor managed inventory (VMI) restocking program allows a supplier to manage and restock inventory items which are physically located at a buyer's facility.

V. BOOK SUMMARIES:

1. Purchase Order Management Best Practices: Process, Technology, & Change Management by Ehap H. Sabri, Arun P. Gupta, & Michael A. Beitler

Chapters to Read:

Part I: Process Best Practices

Chapter 1 - POM: Challenges and Solutions

Chapter 2 - POM at the Operational Level

Chapter 3 - POM at the execution Level

Part II: Enabling Technologies

Chapter 4 - EDI, the Internet, and e-Hubs

Book Summary:

This text, Purchase Order Management Best Practices, focuses on purchase order management practices. It is divided into two parts; Part I is Process Best Practices and Part II is Enabling Technologies. While Part I is the main point of focus for the goal of this program, it is necessary to look at a section of Part II as it pertains directly to the purchasing function. The importance of this book to the purchasing person is seeing how the purchasing function can help to improve operations and sourcing of supply and service.

Chapter 1, Purchase Order Management (POM): Challenges and Solutions, discusses the importance of purchase orders in today's business arena with the increase in outsourcing of not only parts, but also services. It looks at the conventional process of purchase orders and the role purchasing plays in the new global supply world that is coming more prevalent in current marketplace. It discusses how an effective POM process can aid in some of the challenges companies are faced with when setting up various types of inventory, logistical, and quality improvement practices along with others.

Chapter 2, POM at the Operational Level, looks at how the POM process may differ in various types of inventory and supply chain systems that can be used. It is crucial to understand the cost impact of each system. The POM may differ in a pull system versus a push system. Likewise, a vendor managed inventory system will differ from a JIT system. The important point of this chapter is for the purchasing expert to understand the important of the POM process in various types of inventory/operational systems.

Chapter 3, POM at the Execution Level, looks at the life cycle of the purchase order (PO). It looks at the format of the PO, explaining what information the PO should contain. It talks about shipping, blanket orders and advanced shipping notices. The chapter also touches on the steps to take if the parts received are defective and have to be returned. This chapter gives the purchasing professional pointers on handling those non-value added tasks that may arise.

Part II, Enabling Technologies, focuses on how electronic commerce has become critical with the POM process. Chapter 4, EDI, the Internet, and e-Hubs, introduces to the reader these relatively new practices and how they can be an asset to the organization.

Industry has started to use EDI for purchasing, materials, finance, transportation, distribution and warehousing. The chapter talks about how EDI is implemented, the advantages and disadvantages of EDI, and how it works. The Internet is another area that has become useful in industry, but of course there are concerns and the text addresses those concerns. Also given are the advantages of using the internet in an organization. Very new to not only purchasing, but business as a whole are e-hubs. The text introduces, discusses, and gives advantages and concerns of e-hubs.

2. Purchasing by Michael and Mary Lu Harding

Chapters to Read:

| | |
|------------|---------------------------------|
| Chapter 1 | Organization and Administration |
| Chapter 2 | Recordkeeping and Audit |
| Chapter 3 | Purchasing Strategies |
| Chapter 4 | Training |
| Chapter 5 | Ethics |
| Chapter 11 | Negotiation |
| Chapter 13 | International Purchasing |
| Chapter 14 | Capital-Equipment Purchases |
| Chapter 15 | Purchasing Law |
| Chapter 16 | Contracts |
| Chapter 17 | Financial Analysis |

Book Summary:

The authors of this text focused on how the purchasing function has an effect on the profitability of the company. It attempts to dispel the myth that purchasing is only a necessary task that helps manufacturing to get the job done. The text reviews organization and administration as it pertains to purchasing, purchasing law, purchasing strategies, capital equipment purchases along with other areas that directly affect the purchasing function.

Chapter 1, "Organization and Administration", deals with determining the role of purchasing within an organization. It also looks at the purchasing function and how it fits within the organization, and the structure of the purchasing department. It discusses the value-added tasks of purchasing. It also looks at the administrative aspects of purchasing such as requisitions and purchase orders, filing, etc.

Chapter 2, titled Recordkeeping and Audit, explains there are important records that the purchasing department must maintain for an audit and how to prepare for the audit. It goes into detail about what to do when preparing for an audit. Order is important when maintaining purchasing records, especially is there is a lot of activity during the year.

Purchasing Strategies is the title of Chapter 3. In this chapter, the authors look at the various strategies the purchasing professional should focus on. These strategies range from ensuring that purchasing is adding value to the company, to developing suppliers so they can support the department as well as the company's goals, and constant training for the staff. Purchasing also has to adopt the strategy of working closely with engineering department. This has a twofold advantage, purchasing not only is involved early in the development stage, but also helps to ensure that engineering is not specifying a product or technology that only one supplier is capable of supplying.

Chapter 4 focuses on training and the importance of having skilled and knowledgeable employees in the purchasing positions. There are advantages to the purchasing department having highly skilled workers that have expertise in purchasing practices and commodities. An important area of knowledge the authors discuss is purchasing knowledge of Statistical Process Control (SPC). Also mentioned is the process of receiving a professional certification by personnel.

Chapter 5 discusses ethics. This writing speaks specifically to the importance of having policies and guidelines within the company that deals with ethical behavior. There is detail about the taboos of receiving gifts from suppliers, entertainment, and bribery. It also discusses in detail the ethical practices necessary when an employee is required, from time to time, to handle sensitive information.

Chapter 11 focuses on negotiation. There are correct and incorrect ways to negotiate. Although many perceive paying the lowest possible price as successful negotiation, there are other things that can be successfully negotiated. This chapter gives detail on how to negotiate, when to negotiate, and what to negotiate. Also given are tactics to use when negotiation; not all tactics are good for every situation.

Chapter 13 deals with international purchasing. In today's global purchasing society, this can be seen as one of the most important areas of study for the purchasing professional. There are things that have to be considered when purchasing internationally that does not come into play in domestic purchasing. This chapter brings all of these things to the attention of the reader. Things such as freight terms, letters of credit, and exchange rates are discussed.

Chapter 14, Capital Equipment Purchases, differentiates between capital equipment purchases and production equipment purchases. There is a difference in how they are handled due to the larger sums of money spent on capital equipment purchases. There are also different terms, freight requirements, and warranty. There may be training involved in operating the capital equipment that should be included in the purchase contract. These are items, if not properly negotiated, that can cause a capital purchase to be a disaster.

Chapter 15, titled Purchasing Law, looks at some of the important aspects of purchasing when it comes to certain laws and codes. It is important for a purchasing professional to be aware of what is legal and areas they are legally protected when it comes to performing their task. The chapter looks at the elements of a contract and talks about the importance of a purchasing professional to know what constitutes a contract. Chapter 16, "Contracts", looks at the various types of contract that a purchasing professional may have to deal with. Contracts such as purchase order, blanket purchase orders, services contracts, warranty contracts, etc. Contracts are a necessary part of the purchasing function, therefore it is important for the purchasing expert to be familiar with these types of contracts.

Chapter 17, Financial Analysis, is one of the most important skills of purchasing, but it may be one of the most difficult for a novice purchasing employee to gain. Numbers sometimes frighten people. This chapter discusses the total cost of acquiring a product. It looks at the cost of performing administrative tasks, carrying inventory, and receiving parts that are not of acceptable quality, just to name a few. Knowing how to calculate these things gives the purchaser an advantage of being able to understand how these costs will affect the business.

3. ***Purchasing & Supply Chain Management*** by Arjan J. VanWeele

Chapters to Read

Section I - Core Concepts

| | |
|-----------|---|
| Chapter 1 | The Role of Purchasing in the value chain |
| Chapter 2 | Industrial buying behavior: decision-making in purchasing |
| Chapter 3 | The purchasing management process |
| Chapter 4 | Purchasing and facilities management |
| Chapter 5 | Buying business services |

Section II - Strategy and Planning

| | |
|------------|--|
| Chapter 9 | Purchasing and business strategy |
| Chapter 11 | Purchasing, innovation and quality management |
| Chapter 13 | Organization and structure of purchasing |
| Chapter 14 | Performance measurement and governance in purchasing |

Section III - Implementation

| | |
|------------|--|
| Chapter 17 | Purchasing, corporate social responsibility and ethics |
|------------|--|

Book Summary:

This text is divided into three sections. The sections are Core Concepts, Strategy and Planning, and Implementation. The author's intention for this book was to target not only students, but also managers and professionals who are active in the field of purchasing and supply chain at many levels. The levels range from management and supervisory to sales and account managers who interact with purchasing professionals. This summary will give an overview of the chapters focusing on purchasing and the importance of the function within industry.

Section I, titled Core Concepts, introduces the purchasing management function to the reader. Chapter 1 discusses the role of purchasing. Within this section there are many important terms to help better understand the purchasing function. The chapter goes further to explain various classifications of purchasing goods. Finally Chapter 1 looks at areas that have recently evolved to help purchasing become a more strategic function. These include global sourcing, early supplier involvement in new product development, corporate social responsibility, and business integrity.

Chapter 2 titled “Industrial Buying Behavior: Decision-Making in Purchasing” explores decision making and buying behavior in organizations. The chapter differentiates between organizational and consumer buying behavior. It is very important for someone new to the profession to understand what drives buying behavior of the organization. Chapter 2 further probes the purchasing process model that was defined in Chapter 1. It looks at how various things can affect the purchasing process. For example, if the business needs to purchase equipment to be more competitive it would require purchasing to go through a process of obtaining specifications, finding potential suppliers to meet those specifications, selecting the correct supplier to supply to machine, etc. These are just a few steps that would affect the purchasing process in the event the needs of the business changes. The purchasing process could also change if the responsibilities would change. For instance, if the product is highly technical, purchasing may share some of the supplier sourcing responsibilities with the engineering department. These are only a small sampling of the examples the book focuses on in the purchasing process and how it fits within an organization.

Chapter 2 examines types of procurement solutions such as electronic market places, electronic auctions and electronic catalogues and ordering systems. Chapter 3 examines “The Purchasing Management Process”. The major tasks and responsibilities of purchasing are closely evaluated. It brings to the attention the key organizational responsibilities of purchasing, including but not limited to the total cost of ownership (TCO), the risk exposure for the company when dealing with too few suppliers, and when to consider single sourcing. The author reviews ways to keep purchasing in line with the corporate principles by looking at ways to keep the professionalism of purchasing in the forefront of the task. The book discusses how to align the purchasing task with the business goals and objectives; the importance of purchasing policies and how to implement them within the organization.

Chapter 4 has a somewhat different approach because it focuses on the role of purchasing in a facilities environment. While it is not normally the focus of many texts it is important for a purchasing professional to be aware of the responsibilities of purchasing when there may be heavy involvement with outsourcing services. Chapter 5 looks at the sourcing of business services. This chapter looks at the current move of companies to outsource services and the role of purchasing in the task. It looks at the importance of contracts and agreements in this type of sourcing.

Section II titled Strategy and Planning focuses, in more detail, on the elements of the purchasing management process. Chapter 9, Purchasing and Business Strategy, looks at the importance of the alignment of purchasing and business strategies. It is vital to the success of the company, for the purchasing department to understand whether it is the best choice to buy at a component level or finished good level. Lean Manufacturing and the suppliers significance to this type of management is also introduced in the chapter. Also important in this chapter is developing purchasing excellence; that is, developing a strategic approach to purchasing. This may include the decision to outsource or not, to source by commodity or not, to continuously develop suppliers to become more aligned with what you need as a customer, and other things to strengthen the purchasing department.

Chapter 11, “Purchasing, Innovation and Quality Management”, focuses on proactive aspect of purchasing. Areas such as getting the supplier involved early in the new product development, the importance of purchasing and quality management (initiating quality improvement programs), and developing supplier quality programs. With global sourcing so prevalent today, it is important for there to be certain benchmarks set for suppliers in order to evaluate their performance and insure the quality of the suppliers’ product meet the standards required by the buying company.

Chapter 13 looks at the structure of purchasing function within an organization. Whether the purchasing department is centralized or decentralized. How does the organization view purchasing? What area does purchasing report? Does the purchasing department have a strategic, tactical or operational function? This chapter examines these things and defines them thoroughly. It tackles the functional aspect of purchasing and details what causes purchasing to be considered an administrative function or a function at a professional level. Finally, this chapter defines various functions within the purchasing profession.

Chapter 14, "Performance Measurement and Governance in Purchasing", discusses the purchasing function and how to measure performance for the function. The section discusses purchasing budget and how it plays a critical role in the overall purchasing plan for the company. It also looks at critical areas of performance and key indicators that help to assess the performance of suppliers, which reflects on how the organization views the operation of the purchasing department.

From Section III, there is only 1 section this course will focus on. The entire section deals with techniques for costing and supplier development. Chapter 17, however, deals with corporate social responsibility, integrity, and ethics. It discusses, not only, corporate responsibility to the environment, but to the people. Things such as child labor laws and global warming are critical areas of consciousness. Also operating with integrity and having ethical practices while doing business.

VI. FAQ (FREQUENTLY ASKED QUESTIONS):

Have more questions or need more information? Please see our constantly updated FAQ (Frequently Asked Questions) section on the Business Training Institute website here at <http://BusinessTraining.com/FAQ/> Please get in touch if you find you have any other questions!

Thanks for joining the Business Training Institute!

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VII. SAMPLE QUESTION ANSWERS:

- 1. B. This is called make to order** which is commonly used in situations with very large or customer specific products or products that are expensive to stock.
- 2. B. Inventory Management** is not a responsibility of the purchasing function, however, it is important for purchasing to be closely linked and interrelated to the materials activities.
- 3. B.** The three basic strategies that can lead to a distinguishing market position are cost leadership, differentiation and focus strategy. Cost strategy is to continually work at reducing the cost price of the end product. Differentiation aims at marketing products which are perceived by the customer as being unique. Focus strategy aim to serve a specific, clearly defined group of customers in an optimal way.
- 4. D. Purchase Order.** It may also contain other information such as terms of purchase and specifications.
- 5. A. Forecasts.** Forecasts can serve as an important tool for purchasing to be proactive instead of reactive.
- 6. C. Bribery.** Bribery is usually proved by intent. A bribe cannot be taken by accident.
- 7. E. All of the above.** There must be a valid offer to sell an item. The acceptance of the offer must be clear. Consideration must happen, that is something of value tendered in exchange for the goods. The contract cannot be to for illegal acts; it must be legal and both parties must be competent.
- 8. A. Radio Frequency Identification.** Adoption of Radio Frequency Identification (RFID) technology and its standards can replace inconsistent data with accurate and timely data. It is considered to be the next generation of barcoding.
- 9. C. Reorder Point (ROP).** The purchased quantity is the economic order quantity (EOQ).
- 10. True.** Vendor manager inventory programs are very popular in manufacturing and distribution. The program is a method by which a supplier creates Pos based on demand information sent by the buyer.