

# CHAPTER 13:

## GLOSSARY OF COMMON PURCHASING TERMS

Revised 4/20

<b>Acknowledgment</b>	Usually a form used to inform the buyer that the seller has accepted the document or order.
<b>Act of God</b>	Weather conditions, droughts, floods, landslides, tornados, etc. Also See Force Majeure
<b>Advertising</b>	The solicitation of competitive sealed bids through advertising and the award of contracts to the lowest responsible bidder (price and other factors considered). State Law requires advertising of bids over \$50,000.
<b>Affidavit</b>	A written statement sworn to before a notary.
<b>Agent</b>	One acting for another, called the principal in dealing with third parties.
<b>Any Quantity Price</b>	The price charged regardless of the order volume.
<b>As Is/Where Is</b>	An expression, in a sales agreement, implying that the buyer is taking delivery of goods on the specified site without warranty or guarantee either expressed or implied and therefore must trust to his own examination.
<b>Assignment</b>	The legal transference of some property right or title to another party.
<b>Award</b>	The act of accepting a bid or proposal and thereby forming a legal contract between the City and the bidder or proposer. On contracts above \$50,000 this can only be done by the City Commission.
<b>Average Cost</b>	Cumulative average cost method of pricing inventories.
<b>Back Order</b>	The undelivered part of a previous order which the vendor agrees to ship later.
<b>Bargain</b>	(1) Agreement on terms of purchase, etc. (2) Purchase at a price favorable to the buyer.
<b>Best Interest of the City</b>	Most advantageous to the City considering relevant circumstances.

<b>Bid</b>	A competitive price offer made by a seller, usually in reply to an invitation for bid (IFB) or a price offer made at a public auction.
<b>Bid Opening</b>	The act of publicly removing bids from the bid box, opening the bid envelopes, and reading aloud the prices bid.
<b>Bidder</b>	One who satisfies all the following requirements: (1) Is a manufacturer of, or regular dealer in, supplies of the general character to be furnished? (2) Is financially and otherwise able to perform the contract. (3) Is otherwise qualified and eligible by law and regulation.
<b>Bid Rigging</b>	(1) The act of an individual, group of individuals or organization in writing a bid or proposal that knowingly limits or favors in any way the response or the ability to respond to the bid or proposal by giving an advantage to one individual, organization or company. (A sole source declaration, after the fact, is not a defense to bid rigging.)  (2) The act or acts of more than one company or more than one individual to collude together to prearrange the pricing on a bid or proposal with the motive of fixing the price at an artificial level.  Both are investigated in Texas as Felony Fraud or Collusion.
<b>Bill of Lading</b>	A receipt from a public carrier for material to be shipped.
<b>Bill of Sale</b>	A document formally transferring ownership of property specified in the document from one party to another.
<b>Blanket Order</b>	Generally specifies prices, terms, conditions and the period covered, but may or may not specify a specific quantity. Shipments are made against releases. Sometimes referred to as a Standing Order or an Open-End Order.
<b>Blueprints</b>	Specifications indicated by a detailed drawing of the product or building.
<b>Bond (Performance)</b>	A bond executed for 100% of the contract value in connection with a contract, specifying the scope of work, and securing the performance and fulfillment of all the undertakings, covenants, terms, conditions and agreements contained in the contract.
<b>Bond (Bid)</b>	Either cash or cashier's check or other acceptable surety, with a value of 5% of the total bid submitted. It is provided to ensure that the terms of the bid as submitted will be honored, the other required bonds will be

provided in a timely manner after the award is made and the contract will be executed by the awarded bidder.

<b>Bond (Payment)</b>	A bond executed for 100% of the contract value, which ensures payment in full of all suppliers or subcontractors that provide materials or services related to any contract.
<b>Brand Name Product</b>	A product whose manufacturer is identified on the product, or on the package.
<b>Breach of Warranty</b>	A condition where the material or services fails to meet the specifications or warranty.
<b>Budget</b>	A forecast of receipts or a planned allocation of expense for a required function for a given period.
<b>Buyer</b>	An assistant to the Director of Purchasing. The buyer is generally responsible for the negotiations with the vendors, while the Director of Purchasing will sign the final purchase order or contract.
<b>Buyer's Market</b>	A very competitive market condition which produces low prices.
<b>Buyer's Option</b>	The right acquired for a consideration to buy something at a fixed price within a specified time.
<b>Cancellation of Order</b>	Annulment of the Order and all the attendant obligations.
<b>Cancellation Order</b>	An order asking a supplier to accept cancellation of the order.
<b>Cartage</b>	Local delivery by truck of a shipment that was moved by rail, boat, air or long-distance truck.
<b>Cash in Advance</b>	Same as "cash with order".
<b>Cash on Delivery</b>	Payment due and payable upon delivery of goods. (COD)
<b>Cash Discount</b>	A discount from the purchase price allowed to the purchaser if he pays within a specified period.
<b>Cash Purchase</b>	Purchase paid for in cash.
<b>Cash with Order</b>	Payment is to accompany buyer's order.

<b>Catalog</b>	A listing of item identification arranged systematically, either in book or card form.
<b>Caveat Emptor</b>	“Let the buyer beware”. The purchaser buys at his own risk.
<b>Caveat Venditor</b>	“Let the seller beware”. The responsibilities for defects or deficiencies in goods or services lie with the seller.
<b>Centralization of Purchasing</b>	The concentration of purchasing functions in one department under one control.
<b>Certificate of Compromise</b>	Supplier’s written assurance that goods or services delivered fulfill requirements.
<b>Certified Check</b>	A check guaranteeing payment drawn on a bank and accepted by it.
<b>Change Order</b>	Purchaser’s written modification or addition to a purchase order or contract.
<b>Chattel</b>	The word “Chattel” is derived from the word “Cattle.” It is a very broad term and includes every kind of property that is not real property.
<b>Check</b>	A check is a bill of exchange or draft drawn on a bank and payable on demand.
<b>Classification</b>	A publication containing a list of articles and the classes to which they are assigned for the purpose of applying class rates, together with governing rules and regulations.
<b>Collateral</b>	Security placed with a creditor to assure performance of an obligation.
<b>Commercial Law</b>	Jurisprudence relating to the rights of property and relations of those engaged in commerce.
<b>Common Carrier</b>	An organization whose primary function is the transportation of passengers or commodities. Usually references the UCC.
<b>Competitive Bidding</b>	The offer of firm pricing by individuals or firms competing for a contract, privilege, or right to supply specified services or merchandise.
<b>Confirming Order Consideration</b>	A purchase order restating the same terms originally placed orally. Something of value given for a promise to make the promise binding. A “binder,” is earnest money.

<b>Contract</b>	A verbal or written legally binding mutual promise between two parties. An accepted purchase orders.
<b>Contract Date</b>	The date when a contract is accepted by all parties thereto.
<b>Contract Record</b>	A record providing full regarding the orders placed for delivery of goods in the contract, so that the forward contractual position can be seen at any time.
<b>Contract Scheduling</b>	A system of ordering and production control, associated with the control of large-scale projects where the release of orders is based on schedules, which in turn are based on the required completion date.
<b>Cost Estimating</b>	The predetermination of the probable cost of a job, article, or process, etc.
<b>Cost Finding</b>	The ascertainment of the detail and total cost of a job, article, process.
<b>Cost Plus</b>	The pricing system permitting the seller to charge whatever documented costs may be plus a fixed percentage of that cost.
<b>Counter-Offer</b>	A modified acceptance of an offer to contract; hence, rejection of that offer and a new proposal. An “acknowledgment” may be a counteroffer.
<b>Covenant</b>	A promise in writing under seal. It is often used as a substitute for the word contract.
<b>Currency</b>	Lawful money in current circulation. The terms “currency” and “current funds” now seem to include not only coin, silver, United States notes and treasury notes, but also silver certificates, Federal Reserve notes, and National-bank notes.
<b>Damages</b>	Compensation for injury to goods, person or property that is the fault of someone else.
<b>Debt</b>	Any obligation to pay money. Ordinarily the term debt means a sum of money due by reason of a contract expressed or implied.
<b>Decentralization of Purchasing</b>	The delegation of purchasing authority to branches where it is directly carried out, usually with policy direction and oversight from the central purchasing authority.
<b>Deed</b>	A written instrument in a special form that is used to pass the legal title of real property from one person to another.

<b>Delivery</b>	The transfer of possession. Shipping: submission of the bill of lading or title to the goods by the carrier to the recipient.
<b>Delivery Schedule</b>	A plan of future delivery procedure indicating the time of beginning and completion of each delivery.
<b>Depreciation</b>	A decrease in value because of use, deterioration, inadequacy or obsolescence.
<b>Destination</b>	The specific place to which a shipment is consigned.
<b>Discount</b>	Vendor's deduction from the selling price, usually upon some cost reducing condition such as prompt payment.
<b>Discount from List</b>	Requires the insertion of a discount amount from some fixed price, usually from a published List Price. (Our current Furniture contract is a discount from end column).
<b>Discount from End Column</b>	Requires the insertion of a discount amount from some fixed price, usually a discount End Column Price. (Our current office Supply contract is a discount from end column)
<b>Discount Record</b>	A record in the purchasing department centralizing all information about the settlement terms agreed with, or customarily allowed by suppliers.
<b>Draft</b>	A legal document instructing one person to pay to another. Bank checks are three party drafts: the depositor instructs the bank to pay to the creditor.
<b>Emergency Order</b>	Purchase Order to facilitate getting rush jobs moving.
<b>Estimate</b>	An approximate calculation of the charges or cost to the buyer for whom the estimator proposes to supply goods or services, particularly repair work.
<b>Excise Tax</b>	A federal tax imposed on the manufacture, sale or consumption of a product. The City only pays excise tax on items that do not remain in possession of the City.
<b>Expedite</b>	"Follow up" or trace to assure prompt delivery of goods ordered by purchaser, generally according to the contract terms.
<b>Expressed Warranty</b>	An undertaking, in the definite words of the seller, by which the seller assures the existence of certain facts as to the item sold.

<b>Fair Market Value</b>	The demonstrated value of an item as determined by negotiation between buyers and sellers or research by the Purchasing Staff and which value would be acceptable as a basis of recent historical purchases and sales.
<b>Force Majeure</b>	Circumstances beyond one's control, plead able in excuse of non-fulfillment of contract.
<b>Form</b>	A printed document with blanks to be filled in.
<b>FOB Destination</b>	Stands for Free On-Board Destination. Designates the seller will pay shipping costs and remain responsible for the goods until the buyer takes possession. <b>Note: This term is required on all quotes.</b>
<b>Free on Board</b>	Indicates a type of business transaction in which the vendor of goods is responsible for all expense's incidental to delivery of goods to the buyer at a place designated. See above.
<b>Freight</b>	Goods being moved from one place to another by common carrier transportation lines.
<b>Freight at Destination</b>	An expression meaning that freight charges will be paid by the consignee of goods upon their arrival at a special destination. <b>This is <u>not</u> used by the City.</b>
<b>Gross Negligence</b>	The want of even slight care.
<b>Guarantee</b>	A pledge or assurance that something is as represented and will be replaced if it does not meet specifications.
<b>Implied Approval</b>	Failure to take exception to standard terms and conditions of Bids or Purchase orders constitutes approval or acceptance of the stated terms.
<b>Inspection</b>	Examination and testing of supplies including when appropriate, raw materials, components, intermediate assemblies and end items to determine whether the supplies and services conform to contract requirements.
<b>Insurance</b>	By an insurance contract, one party (for an agreed premium), binds himself to another (called the insured), to pay to the insured a sum of money conditioned upon the loss or damage to the property of the insured.

<b>Inventory</b>	A stock of goods or an itemized list of a stock of goods indicating volume and values. Where ascertained by enumeration it is a “physical inventory” and, where, by periodic recording, it is a “block inventory.”
<b>Invoice</b>	Seller’s itemized bill stating prices and quantities of goods and/or services delivered and sent to buyer for payment.
<b>Invitation for Bids (IFB)</b>	Solicitation for prospective suppliers by a purchaser requesting them competitive price quotations.
<b>Lead Time</b>	The reasonable amount of time, after the date ordered, that it would take the supplier to prepare the goods for delivery.
<b>Letter of Credit</b>	A letter containing a request that the party to whom it is addressed pay the bearer or person named therein money, sell him commodities on credit, or give him something of value, with the intention that the addressee later seek payment from the writer of the letter.
<b>Letter of Intent</b>	A preliminary quasi-contractual arrangement by letter customarily used in circumstances where the items, quantities, price and delivery dates are known; but where the principal contract provisions may require additional time-consuming negotiations. Used to enter into interim agreements pending a definitive contract, production, or delivery of the supplies or materials.
<b>Liquidated Damages</b>	A sum agreed upon between the parties to a contract, to be paid as ascertained damages by that party who breaches the contract.
<b>List Price</b>	The price published in a catalog or other means in publication.
<b>Materials Management</b>	Embraces all activities concerned with materials except those directly concerned with materials or manufacturing the product or maintaining the facilities, equipment and tooling. It includes most, if not all, of the activities performed by the following departments: Purchasing, Production, Control, Shipping, Traffic, Receiving and Stores. It advocates the assignment of all these functions to one department.
<b>Negligence</b>	Under a legal duty the doing or omission of something which a reasonable prudent person would not have done or omitted under the circumstances.
<b>Negotiation</b>	Conference with a view to reaching agreement.
<b>Net Cash</b>	Payment for goods sold for ‘net cash’ must usually be made within a rather short period and no deduction is allowed from the invoice price.



<b>Net Price</b>	Price after all discounts, rebates, etc. have been allowed.
<b>Non-Resident Bidder</b>	A bidder whose principal place of business is not in Texas but does not include a bidder whose majority owner or parent company has a principal place of business in Texas.
<b>Notary</b>	A public officer authorized to administer oaths by way of affidavits and depositions and to attest deeds and other formal papers in order that such papers may be used as evidence and be qualified for recording.
<b>Notice of Award</b>	A letter issued by the Purchasing Department notifying the vendor that a specific bid has been awarded to them and requiring that within the period specified in the bid that they must provide all the bonds, insurance and a signed contract.
<b>Notice to Proceed</b>	A letter issued by the responsible division after all the above required contract items above have been received and accepted and the pre-construction meeting has been held.
<b>Obsolete</b>	No longer in use, discarded, out of date.
<b>Obsolescent</b>	Becoming obsolete, due usually to the need for replacement of equipment caused by technological development.
<b>Offer</b>	To bid, to present for approval.
<b>Offeree</b>	A person to whom an offer is made.
<b>Offeror</b>	A person who makes an offer.
<b>Open Account</b>	An agreement between two people to do business on specified terms usually including a regular statement showing the amount due by one person to another for goods or services etc.
<b>Option</b>	The right acquired for consideration to buy or sell something at a fixed price within a specified time.
<b>Order</b>	An instruction issued to a supplier for goods to be delivered at a fixed price.
<b>Ordering Costs</b>	The cost of placing order.
<b>Order Quantity</b>	The quantity required in an order.

<b>Partial Payment</b>	The payment authorized in a contract upon delivery of one or more complete units called for under the contract, or upon completion of one or more distinct items of service called for there under.
<b>Pass Through Cost Increase Clause</b>	A contract clause providing for price increases that can be passed through to the City under certain specified circumstances.
<b>Penalty Clause</b>	A clause in a contract specifying the sum of money to be paid if the contractor defaults on the terms of his contract (particularly in respect to time).
<b>Per Diem (Latin)</b>	“By the day.”
<b>Performance Record</b>	Record to indicate a supplier’s ability to keep delivery promises and reliability, together with consistency of quality of the products.
<b>Point of Origin</b>	The station at which a shipment is received by a transportation line from the shipper.
<b>Prepaid</b>	A term denoting that transportation charges have been or are to be paid at the point of shipment.
<b>Price</b>	The amount of money that will purchase a definite weight, or other measure of a commodity.
<b>Price Current</b>	The price on date of quotation only, or up to period of validity of the quotation.
<b>Price Escalation Clause</b>	A contract clause providing for price increases under certain specified circumstances.
<b>Property Disposal</b>	The act of selling or transferring or getting rid of scrap, excess or surplus property.
<b>Progress Payments</b>	Payments arranged in connection with purchase transactions requiring periodic payments in advance of delivery for certain stated amounts or for certain percentages of the purchase price. The whole of the purchase price may be due in advance of delivery or partially in advance and partially after delivery.
<b>Proprietary Article</b>	An item made and marketed by a person or persons having the exclusive right to manufacture and sell it.

<b>Purchase</b>	To procure property or services for a price; includes obtaining it by barter.
<b>Purchase Change Order</b>	See Change Order
<b>Purchase Order</b>	A purchaser's written offer to a supplier formally stating all terms and conditions of a proposed transaction, usually derived from a bid.
<b>Purchase Requisition</b>	A formal request made to the purchasing department by the department in which the request originated.
<b>Purchasing</b>	Buying materials and services of the right quality, in the right quantity, at the right price, from the right source, and for delivery at the right time.
<b>Purchasing Activities</b>	All activities included in the purchasing function.
<b>Purchasing Budget</b>	Quantitative budget of requirements to provide estimates of material costs for the planned manufacturing or sales program.
<b>Purchasing Costs</b>	All costs of the supply operation for an organization.
<b>Purchasing Cycle</b>	The cycle of activities carried out by a purchasing department in the acquisition of goods and services.
<b>Purchasing Department</b>	Department responsible for purchasing.
<b>Purchasing Ethics</b>	Moral principles or code to be respected by the purchasing department.
<b>Purchasing Interview</b>	Meeting of buyer and salesman for purpose of discussion and exchange of information.
<b>Purchasing Manual</b>	Manual which lays down rules for Purchasing's relations with Suppliers, with other departments and prescribes the procedures to follow.
<b>Purchasing Officer</b>	An official in charge of the procurement operation from the receipt of the requisition, through all the stages of negotiation and placing the order, to the final clearance of the related invoices after price checking.

<b>Purchasing Organization</b>	System for the purpose of enabling purchasing personnel to work together smoothly and efficiently.
<b>Purchasing Policy</b>	Course of action adopted in purchasing affairs.
<b>Purchasing Procedure</b>	Mode of conducting all purchasing activities
<b>Purchasing Record</b>	Record providing an index of orders listed according to the goods purchased
<b>Purchasing Research</b>	A continuing process in all active purchasing departments, involving investigation and research into new and improved or alternative materials and sources of supply with an ever-open door to new offers.
<b>Purchasing Staff</b>	Body of employees by whom purchasing is carried on.
<b>Quantity Discount</b>	Reduction in the unit price offered for large contracts.
<b>Quotation</b>	Generally a sales proposal including price, sales terms, and conditions. A price statement as an offer on a bid.
<b>Quotation Record</b>	Record to facilitate comparison and provide a permanent document of inquiries sent out and the quotations received.
<b>Receiving Report</b>	A form used by the receiving function of a company to inform others of the receipt and acceptance of goods purchased.
<b>Reciprocity</b>	The practice of giving preference to suppliers who are also customers of the buying firm.
<b>Sales Tax</b>	Levy upon a vendor's sale.
<b>Salvage</b>	Useless, deteriorated material, unprofitably restorable, yet valued at more than its scrap price. To save from complete waste, material that is still usable or having scrap value.
<b>Scrap</b>	Pieces of metal or fabric that can be re-melted or re-woven into usable material.
<b>Seller's Market</b>	A competitive market condition, in favor of sellers, existing when supply and demand create a relatively high price level.

<b>Service</b>	A service for payment of a contractor's labor only. It cannot be paid as a service if any materials are included.
<b>Specific Gravity</b>	The ratio of the weight of any volume of a substance to the weight of an equal volume of water, or some other standard unit.
<b>Specifications</b>	A statement containing a detailed description and enumeration of related to the terms of a contract. Details of building construction or attributes of a desired product. A specification may only be descriptive but not restrictive.
<b>Specification Sheet</b>	Sheet for typing lengthy specifications by number and description, set out in groups according to the material classification code, together with the filed specification sheets.
<b>Spot Goods</b>	Goods ready and available for delivery.
<b>Standard Contract</b>	Standardized form of terms and conditions of contract.
<b>Standardization</b>	The process of defining and applying the conditions (such as the function, quality or dimensions of a product; or the method of manufacture and testing) necessary to ensure that a given range of requirements can normally be met, with a minimum of variety, in a reproducible and economic manner on the basis of the best current techniques.
<b>Subrogation</b>	The substitution of one person in another's place, whether as a creditor or as the possessor of any lawful right, so that the substituted person may succeed to the rights, remedies, or proceeds of the claim.
<b>Supplier</b>	Furnisher.
<b>Supplier Record</b>	List of suppliers, recording name and address of the firms, types of work, personnel and other useful data.
<b>Supply</b>	Furnishing or providing of what is needed to sustain organization.
<b>Terms of Contract</b>	Stipulations made in contracts.
<b>Terms of Payment</b>	The methods of payment under a sale contract generally either by: (1) Cash (2) Open account, or (3) Secured account

<b>Trademark</b>	Exclusive legal identification symbol of a supplier which may be registered with the U.S. Patent Office.
<b>Traveling Purchase Requisition</b>	Purchase requisition intended to be re-used. Upon preparation of the purchase order, it returns to the requisitioner who uses it to reorder when re-stocking becomes necessary.
<b>Truckload</b>	(1) A quantity of freight to which truckload rates apply or a shipment tendered as a truckload; (2) A highway truck or trailer loaded to its carrying capacity.
<b>Ultimate Consumer</b>	The purchaser who is the last user of a good or service.
<b>Unauthorized Purchase</b>	Any Purchase made by a City Employee that is outside the rules set down in the Purchasing Policies and Procedures of the City.  Note: City Employees are personally financially liable for all expenses incurred as a result of any unauthorized purchase that they make.
<b>Unit of Measure</b>	The specific requirement as stated in a bid document under which an item must be bid (i.e. each, box, lb, gallon, cu yd, etc). If a bid is returned that does not comply with the correct unit of measure it may be considered as non-responsive.
<b>Unit of Product</b>	The entity of product inspected in order to determine its characterization as defective or non-defective. This may be a single article, a pair, a set, a length, an area, a volume, a component, of a product, or the product itself. It may or may not be the same as the unit of purchase, unit of measure supply, production, or shipment.
<b>Vendor</b>	One who sells something; a "seller."
<b>Warranty</b>	The representation that something is true and correct. Not to be confused with "Guarantee". This constitutes contractual responsibility for the deficient performance or nonperformance of another party or product if it is offered and accepted, specified or required.
<b>Zip Code</b>	Numbering of U.S. Post offices to facilitate delivery of mail. The Zip Code number is part of the address to be used on all mail immediately after the name of the state. Example: York, Pa 17405.