



## Higher National Unit specification: general information

**Unit title:** International Purchasing and Supply

**Unit code:** H2X3 35

**Superclass:** VC

**Publication date:** November 2012

**Source:** Scottish Qualifications Authority

**Version:** 01

### Unit purpose

This Unit will provide candidates with knowledge of the contribution of international purchasing and supply to the competitiveness and profitability of domestic companies and will allow them to explain the reasons why businesses are prepared to procure internationally. It is aimed principally at candidates who aspire to work in an internationally focused organisation and is particularly appropriate for those involved in any of the major business functions.

On successful completion of the Unit the learner will be able to:

- 1 Evaluate the reasons why a business would consider sourcing overseas.
- 2 Evaluate the key challenges involved in overseas sourcing.
- 3 Explain the operation of an International Purchasing Department (IPD).
- 4 Evaluate the reasons for using distribution channel intermediaries.

### Recommended prior knowledge and skills

Access to this Unit is at the discretion of the centre. However, it would be beneficial if the candidate has knowledge of some or all of the major business functional areas including marketing, human resources, finance, and distribution.

### Credit points and level

2 Higher National Unit credit(s) at SCQF level 8: (16 SCQF credit points at SCQF level 8\*)

*\*SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

## General information (cont)

### Core Skills

There are opportunities to develop the component *Written Communication* of the Core Skills of *Communication* and all components of *Problem Solving* at SCQF level 6; the Core Skills of *Numeracy* and *IT* at SCQF level 5 and the Core Skills of *Working with Others* at SCQF level 4 in this Unit, although there is no automatic certification of Core Skills or Core Skills components.

### Context for delivery

If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes. This Unit is included in the framework for the HNC/HND International Business and Trade. The Unit could also be taught as a freestanding Unit.

The Assessment Support Pack (ASP) for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website ([www.sqa.org.uk/sqa/46233.2769.html](http://www.sqa.org.uk/sqa/46233.2769.html)).

### Equality and inclusion

This Unit Specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

## Higher National Unit specification: statement of standards

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Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the Knowledge and/or Skills section must be taught and available for assessment. Learners should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

### Outcome 1

Evaluate the reasons why a business would consider sourcing overseas.

#### Knowledge and/or Skills

- ◆ International business environment.
- ◆ Competitive advantage.
- ◆ International quality standards.
- ◆ Technology.

### Outcome 2

Evaluate the key challenges involved in overseas sourcing.

#### Knowledge and/or Skills

- ◆ Language, communication and culture
- ◆ Foreign exchange rates
- ◆ Currency dealing
- ◆ Counter-trade
- ◆ Forward buying
- ◆ Continuity and security of supply

## Higher National Unit specification: statement of standards (cont)

**Unit title:** International Purchasing and Supply

### Outcome 3

Explain the operation of an International Purchasing Department (IPD).

#### Knowledge and/or Skills

- ◆ Role of international purchasing.
- ◆ Objectives of international purchasing.
- ◆ International purchasing cycle.
- ◆ Functional relationships and interfaces.
- ◆ Supplier selection.
- ◆ Payment documentation.
- ◆ Incoterms.

### Outcome 4

Evaluate the reasons for using distribution channel intermediaries.

#### Knowledge and/or Skills

- ◆ Distribution Channel Intermediaries.
- ◆ Role of Freight Forwarders.
- ◆ Contribution of Information and Communication Technology in international distribution.
- ◆ Transport and freight costs.

#### Evidence Requirements for this Unit

Assessment of this Unit will be completed under open-book conditions in the candidate's own time.

Learners will need to provide evidence to demonstrate their Knowledge and/or Skills across all Outcomes by showing that they can:

### Outcome 1

- ◆ evaluate the effect of the international business environment on an IPD
- ◆ explain how an IPD can increase business competitiveness
- ◆ evaluate the contribution of national and international quality standards to successful overseas sourcing
- ◆ evaluate how technology affects the decision to source overseas
- ◆ evaluate the strategic nature of a decision to purchase overseas

## Higher National Unit specification: statement of standards (cont)

**Unit title:** International Purchasing and Supply

### Outcome 2

- ◆ explain how culture, language and communication affect overseas purchasing
- ◆ evaluate the factors affecting foreign exchange rates
- ◆ evaluate how currency exchange results in financial risk
- ◆ evaluate the effect of counter-trade on overseas sourcing
- ◆ explain the benefits of forward buying to an importer
- ◆ evaluate the need for an IPD to achieve continuity and security of supply requirements

### Outcome 3

- ◆ explain the strategic role of an IPD in reducing costs
- ◆ analyse the objectives of an IPD in making a decision to source overseas
- ◆ analyse the components of the international purchasing cycle
- ◆ explain the relationships between Purchasing and the departments of Design, Research and Development (R&D) and Finance
- ◆ explain the contribution of an IPD to the appraisal of overseas suppliers
- ◆ evaluate the need for payment documentation when importing goods
- ◆ evaluate the impact of incoterms when assessing the price of imported goods

### Outcome 4

- ◆ describe the intermediaries involved in international distribution channels
- ◆ evaluate the role of freight forwarders in distribution channels
- ◆ evaluate the contribution of Information and Communication Technology (ICT) to integrating channels of distribution
- ◆ evaluate the contribution of transport modes to minimising freight costs

## **Higher National Unit specification: support notes**

**Unit title:** International Purchasing and Supply

Unit Support Notes are offered as guidance and are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 80 hours.

### **Guidance on the content and context for this Unit**

This Unit is designed to provide candidates with an understanding of the contribution of international purchasing and supply to the competitiveness and profitability of domestic companies. It will allow them to explain the reasons why businesses are prepared to procure internationally and the challenges associated with overseas sourcing.

It will develop an understanding of the role and operation of an international purchasing department, and will consider the international purchasing cycle, operational problems associated with overseas purchasing, appraisal of overseas suppliers and the relationships between Purchasing and other departments in the organisation. In addition candidates will be required to consider the reasons for using distribution channel intermediaries, the role of freight forwarders, and the contribution of ICT and EDI in international distribution.

This Unit should be seen in the context of the many changes taking place in a range of industries such as the centralisation of production and stockholding and the seeming acceptance of a move towards international and global operations. In addition the emergence of China and India as centres of high economic growth and low wage rates has caused Purchasing and Supply people to re-think policies on domestic, international and global sourcing. The continuous development of Information and Communication Technology such as Electronic Data Interchange and satellite communication and tracking systems has ensured that international purchasing is viewed as a strategic business activity which directly impacts the efficiency and effectiveness of the business as a whole as well as directly affecting profitability in the short term and growth in the long term.

### **Guidance on the delivery of this Unit**

The Unit may be delivered middle to late in the award when candidates will have knowledge and understanding of the major business functions such as finance, inventory management, distribution and logistics.

It is likely that candidates will be required to research an organisation engaged in overseas purchasing, and to plan, schedule and carry out a significant amount of research activity to back up the taught elements of this Unit. Both taught and self-directed aspects of learning will be combined to enable the candidate to complete an appropriate report.

Teaching and learning might include videos, case studies, visiting speakers and possibly visits to companies such as manufacturers and retailers.

It is recommended that equal emphasis in terms of time be given, 50:50, between lecturing and candidate research.

## Higher National Unit specification: support notes (cont)

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### Guidance on the assessment of this Unit

Evidence can be generated using different types of Instruments of Assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

The Outcomes could be assessed holistically by generating one project or report based on candidate research covering all Knowledge and Skills and Evidence Requirements. This assessment may be managed by identifying a number of stages based on the Outcomes contained in the Unit. Candidates would be expected to submit each stage by a designated date and time. It is recommended that candidates identify sources of information used in the compilation of the report.

The assessment task will be carried out in the candidates own time and comprise a final report of approximately 3,000 words or equivalent.

Centres are reminded that prior verification of centre devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

### Online and Distance Learning

E-assessment may be appropriate for some assessments in this Unit. By e-assessment we mean assessment which is supported by Information and Communication Technology (ICT), such as e-testing or the use of e-portfolios or social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at [www.sqa.org.uk/e-assessment](http://www.sqa.org.uk/e-assessment).

## Higher National Unit specification: support notes (cont)

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### Opportunities for developing Core Skills

There are no Core Skills embedded in this Unit. However, the following table gives some examples of the opportunities for developing Core Skills within this Unit.

Core Skill	SCQF level	Opportunities for development
<b>Communication</b>	Level 6	All three Outcomes can contribute to the reading and writing aspects of this Core Skill.
Written Communication (Reading)	Level 6	Candidates are expected to read and understand complex written information.
Written Communication (Writing)	Level 6	There are opportunities to develop written communication where candidates produce written responses as these have to be well-structured and clear, addressing the Evidence Requirements. Evidence is required in the form of the production of a structured report.
<b>Problem Solving</b>	Level 6	In researching an organisation involved in overseas sourcing and the analysis and evaluation of its activities, there are opportunities to develop the Core Skill of the components <i>Problem Solving (Critical Thinking)</i> , <i>Problem Solving (Planning and Organising)</i> and <i>Problem Solving (Reviewing and Evaluating)</i> at SCQF level 6.
<b>Information Technology</b>	Level 5	Candidates are likely to use Information Technology when undertaking research into their chosen organisations. Finished reports may include graphics, tables or spreadsheets to illustrate points.

<b>Core Skill</b>	<b>SCQF level</b>	<b>Opportunities for development</b>
<b>Numeracy</b>	Level 5	Candidates may also be able to gain Numeracy skills throughout the unit but particularly in their examination and evaluation of transport and freight costs.
<b>Working with others</b>	Level 4	Throughout the Unit the candidate may have the opportunity to take part in group discussion and group work.

### **Disabled candidates and/or those with additional support needs**

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering whether any reasonable adjustments may be required. Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements)

## History of changes to Unit

Version	Description of change	Date

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## General information for candidates

### Unit title: International Purchasing and Supply

This section will help you decide whether this is the Unit for you by explaining what the Unit is about, what you should know or be able to do before you start, what you will need to do during the Unit and opportunities for further learning and employment.

This Unit is designed to enable you to understand why businesses purchase many of their materials requirements from overseas and the many challenges this presents.

On completion of the Unit you should be able to:

- 1 evaluate the reasons why a business would consider sourcing overseas.
- 2 evaluate the key challenges involved in overseas sourcing.
- 3 explain the operation of an International Purchasing Department (IPD).
- 4 evaluate the reasons for using distribution channel intermediaries.

You will develop an understanding of the role and operation of an international purchasing department, and will consider the international purchasing cycle, operational problems associated with overseas purchasing, appraisal of overseas suppliers and the relationships between Purchasing and other departments in the organisation. In addition you will be required to consider the reasons for using distribution channel intermediaries, the role of freight forwarders, and the contribution of ICT and EDI in international distribution.

You will learn that importing goods from abroad is a much more complex and time-consuming activity than buying 'at home', as it requires the use of a wide range of forms and documents as well as the additional problems of different cultures and languages. It also involves paying customs duties on goods imported and dealing with foreign currencies along with more complex pricing and payment terms.

You will also learn that overseas sourcing makes the planning and control of transport more difficult and more costly and this will have the knock-on effect of pushing up the prices of imported goods. To counteract this effect you will see that international purchasers need to get the right overseas suppliers to provide both quality and quantity at very competitive prices.

You may be assessed by one project or report which covers all knowledge, skills and Evidence Requirements contained in the Unit. Assessments are likely to require you to undertake research in your own time.

Over the course of this Unit, there may be opportunities for you to develop Core Skills, in the areas of *Communication, Problem Solving, Numeracy* and *ICT*.