

---

---

आपूर्ति शृंखला प्रबंधन की परिभाषा

**Glossary of Terms in Supply Chain  
Management**

ICS 03.100.40

© BIS 2016



भारतीय मानक ब्यूरो

BUREAU OF INDIAN STANDARDS

मानक भवन, 9 बहादुरशाह ज़फर मार्ग, नई दिल्ली-110002  
MANAK BHAVAN, 9 BAHADUR SHAH ZAFAR MARG  
NEW DELHI-110002

[www.bis.org.in](http://www.bis.org.in) [www.standardsbis.in](http://www.standardsbis.in)

#### FOREWORD

This Indian Standard was adopted by the Bureau of Indian Standards on the recommendation of the Management and Productivity Sectional Committee and approval of the Management and Systems Division Council.

The standard has been prepared for the guidance of all organizations to assist them in the correct interpretation of terms used in supply chain management. It is hoped that this glossary of terms will help in establishing a generally recognized usage and eliminate ambiguity and confusion that might arise from individual interpretation of terms.

The composition of the Committee responsible for the formulation of this standard is given in Annex A.

## *Indian Standard*

# GLOSSARY OF TERMS IN SUPPLY CHAIN MANAGEMENT

## 1 SCOPE

**1.1** This standard gives definitions of terms relating to Supply Chain Management.

## 2 TERMS AND DEFINITIONS

**2.1 ABC Analysis** — An inventory classification that ranks items based on annual usage value. Approximately 10 – 15 percent of the top ranked items accounting for 70 percent of total annual usage value are termed as “A” class items. Next about 15-20 percent of the items accounts for 20 percent of total annual usage value are termed as “B”. The remaining 70 percent of the items accounting for 10% of the total annual usage value are termed as “C” class items.

**2.2 Acceptance of Tender** — It is a document confirming the acceptance of the tender for concluding the contract.

**2.3 Accounts Payable** — A financial obligation created by the receipt of goods and/or services, not yet paid for.

**2.4 Accounts Receivable** — A financial asset created by the supply of goods and/or services, not yet paid for.

**2.5 Acknowledgement** — A document from a vendor to a customer verifying receipt of an order. It may also contain description of item, quantity, rate, scheduled date and terms and conditions.

**2.6 Actual Loss** — Loss on account of higher prices paid, additional taxes paid and additional freight charges paid by the purchaser on account of delay in deliveries from the contracted delivery period.

**2.7 Advanced Shipping Notification (ASN)** — An intimation by a supplier to a customer, at the time of shipment, notifying the details of consignment.

**2.8 All Time Order** — Last order for spares of a particular product which is in the last phases of its life cycle.

NOTE — Also referred to as life time buy. It is of such a size that the total expected future demand can be satisfied.

**2.9 Annual Contract** — Contract between a supplier and a customer for an year that sets pricing and other terms and conditions to help in continuous supply of goods and services.

**2.10 Agreement** — A promise and every set of promises forming the consideration for each other, is an agreement.

NOTE — The proposal or offer when accepted is a promise.

**2.11 Automated Storage and Retrieval System (AS/RS)** — A high density automatic mechanized storage racking system which locates, retrieves/stores the material as per the requirement enhancing the pick rate and better space utilization.

**2.12 Actual Loss** — Loss on account of higher prices paid, additional taxes paid and/or additional freight charges paid by the purchaser on account of delay in deliveries from the contracted delivery period.

**2.13 Backlog/Order Balance** — Orders for goods and/or services received but not yet supplied.

**2.14 Bank Guarantee** — Undertaking by a bank on behalf of a supplier to a buyer that it will be responsible for the debt of the supplier in consideration of the buyer forgoing payment of the deposit or security.

**2.15 Bar Code** — A computer recognizable code that stores information in the form of a series of black thick and thin parallel lines that represent binary digits.

NOTE — It is normally a 13-digit code: the first digit represents the general product category, the next six digits the manufacturer's identification number and the last six the product identification number. The code does not include price.

**2.16 Barge** — A large boat with a flat platform used for carrying bulk cargo.

**2.17 Basic Price** — A price excluding various taxes, duties, cess, surcharge and freight.

**2.18 Batch (Production)** — A lot or a given quantity processed/manufactured at the same time with the same process parameters.

**2.19 Benchmarking** — The process of comparing the performance levels of an organization with the established best performance levels of another organization.

**2.20 Best Before Date** — Time by which a product is recommended to be used to ensure the planned Quality level.

NOTE — Also known as use by date.

**2.21 Beyond Economic Repair (BER)** — Where the projected cost of repair, normally for a repairable or

rotatable item, exceeds a management set percentage of the replacement value of the item concerned.

**2.22 Bid** — A legally binding offer to sell or to buy. In public procurement, a bid is confidential/sealed and is opened at a pre-scheduled time, date and place.

**2.23 Bid Deposit** — An amount required to be submitted in the form of Banker's Cheque/Bank Guarantee or any other approved government instrument, by a supplier to a buyer along with the bid which guarantees that the bidder will accept the contract if awarded or else get the deposit forfeited.

**2.24 Bid Security** — A security provided to the procuring entity by bidders for securing the fulfilment of any obligation in terms of the provisions of the bidding document.

NOTE — It is also known as earnest money.

**2.25 Bidder** — One who submits a response to an invitation for bid (IFB) or request for quotations (RFQ).

**2.26 Bill of Exchange** — Unconditional signed order in writing by one to another, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a certain sum in money to order or to bearer (Uniform Negotiable Instruments Law).

**2.27 Bill of Lading (B/L)** — A Sea carrier's contract and receipt for goods agreeing to transport these goods from one place to another and to deliver to a designated recipient (consignee).

NOTE — Such a document issued by Air Carrier is called Airway Bill.

**2.28 Bill of Material** — A list of quantities and description of all materials required to produce a unit of the finish goods.

**2.29 Bin Card** — Stock card detailing the receipts, issues and closing stock of the item stored in a particular bin.

NOTE — It may also contain details of next higher assembly (NHA), alternate part numbers/issue in lieu, unit rate and supplier.

**2.30 Bin** — An inventory shelf or rack location with a specific identifier.

**2.31 Blanket Order** — A commitment to a supplier for supplying certain goods or services over a predetermined period of time at predetermined prices, or at prices to be determined based on market or other conditions.

**2.32 Bonded Warehouse** — A warehouse in which goods are stored until duties are paid or goods are otherwise properly released.

NOTE — Such warehouse are used for the storage and custody of imported or taxed merchandise which is subject to duty or goods to be reshipped without entry.

**2.33 Book Inventory** — The quantity or value of inventory obtained from inventory records rather than by actual count.

**2.34 Breach of Contract** — A failure to perform any promise(s), which forms a part of a contract.

**2.35 Breach of Warranty** — Failure of good and/or services to meet the quality or other specifications warranted by the supplier.

**2.36 Break Bulk** — Disaggregation of a big lot into smaller lots.

**2.37 Break Even Point** — Level of production or the volume of sales at which revenue equals cost.

**2.38 Buffer Stock** — Quantity of goods or articles kept in storage to safeguard against unforeseen short-ages due to variation in lead time and/or demands.

**2.39 Bulk Material** — Material in loose form, not having a definitive shape, without specific packaging.

NOTES

1 It is generally handled by conveyor or pumps and is measured by weight or volume.

2 Examples of bulk materials include coal, oil, sand, pig iron, limestone, liquids and gases.

**2.40 Bundle Pricing** — Selling of two or more products as a bundle for a price lower than the sum of the individual product prices.

**2.41 Business Process Re-engineering (BPR)** — Systematic reviewing of the activities carried out by an enterprise to substantially improve performance by focusing on the steps in each business process, which add value to the final customer.

NOTE — BPR aims to eliminate non-value adding activities and reduce process costs and cycle times.

**2.42 Business-to-Business (B2B)** — A type of commerce transaction that exists between businesses such as those involving a manufacturer and whole seller or a whole seller and retailer.

NOTE — This is in contrast to Business-to-Consumer (B2C).

**2.43 Business-to-Consumer (B2C)** — A type of commerce transaction that exists between a business and end customer/consumer/user.

NOTE — See also 2.42.

**2.44 By-product** — Goods obtained or produced as a residual part during the production process of other goods.

NOTE — For example, Coaltar is the by product or process of obtaining gas from coal.

**2.45 Cannibalize** — To retrieve usable parts from an equipment, for its alternate use.

NOTE — It is normally resorted to when the equipment is Beyond Economic Repairs.

**2.46 Cash Discount** — A discount offered to encourage prompt payment.

**2.47 Cash in Advance (CIA)** — A payment method in which full payment is made prior to the providing of the goods and/or services.

**2.48 Cash on Delivery (COD)** — A payment method in which full payment is made upon delivery of goods and/or services.

**2.49 Capacity Report** — A document to assess the technical and financial capacity of the supplier to execute the contract for the purpose of registration of the supplier.

**2.50 Carrying Cost** — A measure, usually expressed as a percentage, of the costs incurred to hold inventory including insurance, obsolescence, theft/pilferage, damage, deterioration, warehousing charges, etc.

**2.51 Cartage** — A charge made for hauling and transferring goods, usually on a local basis. Also called drayage.

**2.52 Cartel** — A group of suppliers of a commodity who join together and agree to limit the supply of the commodity and charge an agreed-upon price by the group.

**2.53 Catalogue** — Information system about supply items which tailors and distills information to the various catalogue users needs.

NOTE — It may be presented in hard copy reports, microfiche or online about supply items with catalogue number, item name, description, application and part number to facilitate access to the various catalogue users.

**2.54 Certificate of Compliance** — A document executed by a competent person verifying to the effect that the goods or services in question meet the specified requirements.

NOTE — Also known as certificate of conformance and certificate of conformity.

**2.55 Certificate of Conformance** — Signed document provided by a supplier to a customer which verifies that the goods supplied conform to the customer's specified requirements.

NOTE — This is usually on a standard form that accompanies a delivery of goods.

**2.56 Certificate of Damage** — A certificate issued by the carrier when goods delivered to the consignee by them are in damaged condition.

NOTE — The document is needed by the consignee/consignor to initiate claims.

**2.57 Certificate of Inspection** — A document certifying that merchandise was in good condition immediately prior to shipment.

**2.58 Change Order** — A purchaser's authorization to the supplier to modify or change an existing purchase order.

**2.59 Closing Stock** — An amount of on-hand stock at the end of a period, often determined by a physical stock check.

**2.60 Codification** — A System of providing a unique identification number.

NOTE — It could contain classification, category, size, type, manufacture's source, etc, to provide a tool for supply management.

**2.61 Competitive Bidding** — A process asking bidders to submit their technical and commercial offers indicating prices and other specified details.

**2.62 Confirmed Letter of Credit** — A letter of credit, issued by the buyer's bank, whose validity has been confirmed by the seller's bank.

NOTE — A supplier is assured of payment on completion of specified conditions given in the confirmed letter of credit. Generally, it is known as irrevocable letter of credit without recourse.

**2.63 Consignee** — The person or organization to whom the goods are shipped.

**2.64 Consignment** — A lot of goods shipped at one time.

**2.65 Consignment Note** — A document used to confirm receipt of goods by a carrier to forward these to the consignee given thereon. It also shows description of goods, weight/volume, freight rate and name of carrier.

NOTE — For inland transportation by road, it is normally termed as Lorry Receipt (L/R).

**2.66 Consignment Stocks** — An inventory of goods held by either with the supplier or with the customer but remaining the property of the supplier until issued for use to the customer at which point payment becomes due.

**2.67 Consignor** — The person or organization who ships a consignment.

**2.68 Consolidation** — Combining a number of smaller shipments to form an economic shipment lot.

NOTE — It is done to achieve economies of scale in transportation through lower freight rates.

**2.69 Container** — A large pre-fabricated metal box, with fixed dimensions designed for the purpose of safe handling, transportation and storage of goods.

NOTE — Generally, for international and domestic trade, 20 feet and 40 feet long standard containers are used. For shipment by air, standard LD 3 containers are used.

**2.70 Contract Price Adjustment** — A clause in contract allowing the price to be varied according to a formula during the life of the contract based on the rates of labour, material and energy indices at a particular point of time.

**2.71 Contract** — An agreement with free consent between two or more individuals or organizations for a set of promises giving rise to obligations which can be enforced or recognized by law.

**2.72 Cost Plus** — Pricing method whereby the purchaser agrees to pay the supplier for goods/services an amount incurred by the supplier plus a percentage of cost incurred or fixed sum.

**2.73 Cost of Quality** — A measure that sums all costs associated with poor quality or product failure, including rework, scrap, warranty costs and other costs incurred in preventing or resolving quality problems.

**2.74 Counter Offer** — Alternate offer made in response to an offer from another party.

**2.75 Countervailing Duty (CVD)** — An additional custom tariff applied to import of goods to maintain parity in lieu of the excise duty being charged on indigenous production of similar goods.

**2.76 Country of Origin** — The country where goods are wholly grown or manufactured or produced or the last country in which the goods undergo substantial value addition.

NOTE — Many countries levy varying import duties rates according to the country of origin.

**2.77 Credit Note** — A document for agreeing to pay a specified amount on account of any difference in the obligation as per the contract.

NOTE — Such instances may include short supply, quality defect, error in invoice, special rebate or returned goods, etc.

**2.78 Customs Duty** — Tariff levied on imports or exports of goods.

**2.79 Cycle Time** — The total time required to complete a transformation from one status to another.

NOTE — Total cycle time is composed of many elements. Often broken into active (running or operating) time and idle (queue or wait) time.

**2.80 Damages** — Compensation payable for loss or injury suffered by one party as a result of the breach of contract by the other party.

**2.81 Dangerous Goods** — Goods which have been determining for a particular note to be a risk to the safety.

NOTE — For example, a sharp long knife is determining to be a dangerous goods if carried on person during a travel whereas it is allowed to be carried in a registered package in an aircraft. Synonymous with hazardous materials.

**2.82 Debit Note** — A document for creating a charge on the other party for difference in obligations as per the contract.

NOTE — Such instances may include excess supply, error in invoice, special charges, etc.

**2.83 Deemed Exports** — Shipments in which the goods are supplied within the country against orders, which would otherwise need to be imported from other countries or shipments for designated projects, which have been given deemed export status by the Government.

**2.84 Deferred Payment Letter of Credit** — A letter of credit that specifies payment after a fixed number of days after the shipment.

**2.85 Delivery Order** — A document issued by the owner of goods instructing the warehouse/dock/wharf etc to issue specific items to the specified entity.

**2.86 Deliverable State** — A state within the meaning of the Sale of Goods Act when they are in such a state that the buyer would, under the contract, be bound to take delivery of them.

**2.87 Delivery Lead Time** — Time elapsed for delivery of goods from the time an order is received by the supplier upto the time goods are delivered to the customer/carrier.

**2.88 Delivery Note** — A document listing the details of the shipment sent alongwith the consignment to the consignee.

**2.89 Delivery Schedule** — The required time(s) of delivery of goods or services as per the contract/purchase order.

**2.90 Demand Forecast** — The prediction, projection or estimation of expected demand over a specified time period in future.

**2.91 Demand Pull System** — A customer-initiated material movement technique which permits a downstream function to pull material from the preceding function or external supplier only when it is needed and not when it is scheduled to be moved.

**2.92 Demurrage** — An amount charged by a party to compensate for the detention of its equipment, facilities, wagon or container or truck or warehouse in excess of allowable time.

**2.93 Despatch Note** — A document handed over to the forwarder while dispatching the goods, by the sender giving details of the addressee and of the addressor.

**2.94 Direct Material** — Material used in production which becomes part of the end product itself.

**2.95 Dimensional Weight** — The weight calculated based on total area/volume divided by a certain number for the purpose of calculation of freight.

NOTE — Also called volumetric/measurement weight. The carrier charge for freight based on the dimensional weight or actual gross weight whichever is higher.

**2.96 Documentary Bill** — The term used to indicate a set of bills of exchange, given to a merchant for goods sent abroad including bill of lading, invoices for goods and for policy of marine insurance.

**2.97 Documents Against Acceptance (D/A)** — A document containing instructions given by a shipper to a bank indicating the documents required for transferring title of goods should be delivered to the buyer (or drawer) only upon the buyer's acceptance.

**2.98 Documents Against Payment (D/P)** — A document containing instructions given by a shipper to a bank indicating the documents required for transferring title of goods should be delivered to the buyer (or drawer) only upon receiving the payment.

**2.99 Drayage** — *see* 2.51

**2.100 Duties** — Taxes levied based on tariffs for imported/manufactured goods.

**2.101 Duty Drawback** — A refund of part or full of custom duty paid at the time of importing goods when it is exported at a later time, in the same or a different form.

**2.101.1 Duty Free Zone** — A designated physical location in which a firm does not have to pay custom duty on import of goods or equipment.

NOTE — As per EPZ policy, these firms are required to fulfil an export obligation. Also known as Export Processing Zone (EPZ).

**2.102 E-Business** — A means of doing business that uses electronic technologies, such as EDI, the Internet and Web-based supply chain integration.

**2.103 E-Commerce** — A way to execute Business transactions including consumer marketing, ordering and payment functions and share information with other businesses, consumers or with government by using computer and telecommunication networks, including the Internet Intranets, and/or Extranets.

**2.104 Earnest Money** — Money paid as a pledge along with the bid to bind itself to the agreement if placed on them in response to the bid.

**2.105 Earnest Money Deposit (EMD)** — A deposit along with a bid as per terms of the tender document.

NOTE — In case, the bidder does not honour the offer, if the contract is awarded, EMD is forfeited.

**2.106 Economic Batch Quantity (EBQ)** — Quantity that is calculated to minimize the combined costs of purchasing, manufacturing and holding stock. Also known as Optimum Batch Quantity/Economic lot-size.

**2.107 Economic Order Quantity (EOQ)** — Order quantity which minimizes the total costs (ordering cost, inventory carrying cost and product cost).

**2.108 Electronic Data Interchange (EDI)** — A mode in which the interaction is between a machine of one business entity to the machine of other business entity.

**2.109 Embargo** — An order issued by a government or other agency, prohibiting the dispatch/receipt of specified goods to a particular country or entity or freighting from one place to another through specified mode.

**2.110 Export Oriented Units (EOU)** — An establishment enjoying the same benefit as the units in export processing zones. These units can be located anywhere in the country.

**2.111 Export Processing Zones (EPZ)** — Special custom bound areas, to provide an internationally competitive custom duty-free environment for export of production.

**2.112 Evaluation of Bids** — The examination of bids after opening to determine the bidder's responsibility and responsiveness to requirements, and other characteristics of the bids relating to the award of contract.

**2.113 Export Licence** — A document issued by the Government that permits the export of specified goods to specified countries as per the prevailing policy.

**2.114 Warranty** — A specific assurance made by the seller concerning the performance, quality, or nature of the goods or services sold. An expressed warranty often delineates the rights and obligations of the parties in the event of defective items or services.

**2.115 Ex-stock** — Goods available on demand from inventory.

**2.116 FIFO (First-In First-Out)** — Inventory and costing policy in which the goods are used/costed in the order in which received.

NOTE — *See also* 2.176.

**2.117 Finished Goods Stock** — An inventory of completed products available for supply to customers.

**2.118 Finished Product** — Final end product produced by an enterprise for supply to a customer.

**2.119 Fixed Interval Reorder System** — A reordering system where the time interval between each two orders

is fixed, but the size of the order is not fixed. Order quantity varies according to usage.

**2.120 Fixed Order Quantity System** — Inventory control method where the size of the order is fixed, but the time interval between orders depends on actual demand.

**2.121 Force Majeure Clause** — If at any times during the continuance of the contract, the performance of whole or in part by either party of any obligation under the contract shall be prevented or delayed by reason of any war, hostility, acts of public enemy, civil commotion, sabotage, fire, floods, explosions, epidemics, quarantine, restrictions, strikes, lockouts or act of God.

**2.122 Foreign Trade Zones** — Locations determined by the government that do not need to pay tariffs or duties on imports, particularly goods that are assembled and re-exported.

**2.123 Fourth Party Logistics (4pl)** — A firm that assembles and manages the resources, capabilities, and technology of its own organization with those of complementary service providers to deliver a comprehensive supply chain solution.

**2.124 Forward Buying** — The process of placing an order for a supply of goods in a specified time in future at a specified rate.

**2.125 Foul Bill of Lading** — A receipt issued by a shipping company indicating that the goods received were damaged

**2.126 Free Trade Zone** — Government established zones that permit free entry and storage of goods. Duties do not need to be paid until the goods leave the zone.

**2.127 Freight Bill** — The carrier's invoice for transportation charges for a shipment.

**2.128 Freight Forwarder** — An entity that facilitates the shipment of goods.

NOTE — Also known as Freight and Forwarding Agents.

**2.129 Full Truckload (FTL)** — Transportation based on the use of full capacity (by weight/volume) of a container/wagon/truck by a consigner.

**2.130 Fully Allocated Cost** — The variable cost associated with a particular output unit plus a common cost allocation.

**2.131 General Agreement on Tariffs and Trade (GATT)** — International trade agreement specifying conditions, duties and acceptable commerce practices.

**2.132 Globalization** — The process of making something worldwide in scope or application. Also

known as adaptation of a global strategy to local conditions.

**2.133 Goods** — Product, commodity, equipment, item in part or complete, services.

**2.134 Goods Inward Inspection** — The activity conducted for quality, quantity and product verification/measurements on incoming material.

NOTE — Incoming material may be from a vendor or other internal manufacturing sites.

**2.135 Goods in Transit** — Goods which have left the consignor but have not reached the consignee.

**2.136 Goods Receipt and Acceptance Note (GRN/GRAN)** — A document prepared by the buying organization indicating the quantity and quality of the goods namely, specified in the order.

NOTE — Also known as Goods Received Note (GRN).

**2.137 Goods Receiving Stock** Stock comprising of goods that have arrived at the receiving point and that are not yet available for the use of that organization.

**2.138 Government Procuring Entity** — Purchases made by Central Government Ministry, Central Public sector enterprises, any company in which 50 percent or more paid up share capital is held by the Central Government, anybody established or constituted whose expenditure is met from the Consolidated Fund of India, any society, trust or autonomous body constituted by an Act of Parliament, any other entity which receives substantial financial assistance from Central Government.

**2.139 Group Purchasing** — Procurement process by consolidating requirement of materials/items for a group of organizations owned by same or different entities.

**2.140 Guarantee** — A commitment by a manufacturer or supplier to the effect that goods supplied are free from defective workmanship or materials together with an undertaking to remedy goods found to have such defects (*see also 2.306*).

NOTE — In the context of financial matters, guarantee means a promise by an entity (the guarantor) to make good the debts of another (the principal) in the event of the principal failing to meet his or her other financial responsibilities to a third party.

**2.141 Handling Costs** — Charges involved in moving, transferring, preparing, and handling a consignment.

**2.142 Hard Currency** — Currency that can be exchanged for money of other countries quickly.

**2.143 Hazardous Materials** — Materials or substances that have been determined by the designated authorities to be a risk to health, safety and property which must be packaged, labelled, handled, and



transported according to stringent regulations from concerned agencies.

NOTE — Such materials include explosives, flammables, poisons, corrosives, and radioactive materials, etc.

**2.144 Hire Purchase** — A system in which a party buys the goods and gives it on lease to a user for a specified period on payment of a lease rent. The title of the goods will pass on to the user on completion of the lease period as per the terms agreed.

**2.145 Order on Hold** — Direction by a buyer to interrupt certain operations/work pending till further instructions.

**2.146 Identical Bid** — A bid that agrees in most of the areas with another bid.

**2.147 Idle Capacity** — Unused production, storage or logistics resources.

NOTE — This could be due to lack of demand or a strategic policy by the company to meet sudden increase in demand.

**2.148 Igloos** — Containers used in air transportation and its shape fits the internal wall contours of a cargo hold of an airplane.

**2.149 Implosion** — It is a process of finding out as to how many products can be made from a given set of components, sub-assemblies and material using a bill of materials.

**2.150 Import Licence** — A document issued by the Government that permits the import of specified goods from specified countries as per the prevailing policy.

**2.151 Import Substitution** — A process of producing indigenously those goods that were earlier being imported, by developing necessary competencies/processes.

**2.152 In Transit** — *See also 2.135.*

**2.153 Inbound Logistics** — Flow of goods from suppliers to manufacturing/producing/distributing organization and associated flow of information and supporting activities.

**2.154 Incident Tracking** — A system to report problems or incidents, locate and provide solution/advice, provide escalation when necessary and track the successful resolution or current status of each assigned incident.

**2.155 INCO Term** — A set of three-letter standard trade terms most commonly used in international contracts for the sale of goods.

**2.156 Incoming Inspection** — *See also 2.134.*

**2.157 Independent Demand** — Demand of goods, solely based on buying decision of the customer.

NOTE — This does not depend on any factor in the control of the supplier or the manufacturer.

**2.158 Intermittent Demand** — Sporadic demand for end items that may also involve low volumes and are more typical of to-order than to-stock environments.

**2.159 Intermodal Transportation** — The use of two or more transportation modes to move the consignment.

**2.160 International Import Certificate** — A document required by the importing country indicating that the importing country recognizes that controlled shipment is entering their country. The importing country pledges to monitor the shipment and prevent its re-export, except in accordance with its own export control regulations.

**2.161 Inventory Management** — A set of approaches to integrate suppliers, manufacturers, warehouses, distributors and retailers such that goods are produced and delivered in the right quantities, at the right locations, at the right time in order to minimize system wide cost while maintaining customer service level.

**2.162 Inventory Policy** — Strategic decisions on inventory management by an organization to meet its stated goals of customer service level.

**2.163 Inventory Shrinkage** — Losses of inventory due to obsolescence, deterioration, pilferage, damage, evaporation, sublimation, etc.

**2.164 Inventory Turns** — The ratio of cost of goods sold divided by the cost of average inventory during a year.

**2.165 Inventory Valuation** — The process of computing a monetary value of inventory on a particular date, based on either of the standard cost, first-in first-out (FIFO), last-in first-out (LIFO), average price or other methods.

**2.166 Inventory Velocity** — The speed with which inventory moves through a defined cycle that is, from receiving to shipping.

**2.167 Inventory Write-Off** — The deletion of the value (from the current inventory value) of the inventory items, found of no use due to obsolescence/surplus, defective or market changes.

**2.168 Invitation to Bid** — A tender document of the buyer detailing the requirements including specifications and other terms and conditions referred to the probable bidders for obtaining their bids.

**2.169 Item Master** — A document having description, unit of measure, dimensions, family and group classification, production or purchasing ordering data, next higher assembly, alternate items and other

pertinent information of an item.

NOTE — It may include the current approved suppliers.

**2.170 Just-In-Time (JIT)** — Manufacturing philosophy in which each part/component of a product arrives at a time when it is required to be assembled.

NOTE — It cuts non-value added tasks, reduces waste, cuts inventory, eliminates delay.

**2.171 Landed Costs** — The total cost of a shipment at customer's premises which includes purchase price, freight, insurance, duties, taxes and other costs.

**2.172 Last Purchase Price (LLP)** — The price paid in the latest contract of a similar magnitude which has been successfully completed.

NOTE — It should normally be not earlier than 3 years old.

**2.173 Lead Time** — The total time required from the time the demand is raised and it is met.

**2.174 Lean Manufacturing** — A methodology aimed at minimizing the resources required for production of goods by eliminating waste and non-value adding activities.

**2.175 Less Than Truckload (LTL)** — Transportation based on the use of part capacity (by weight/volume) of a container/wagon/truck by a consigner.

NOTE — Transportation rates per unit for LTL shipments are higher than those for FTL.

**2.176 LIFO (Last-in First-Out)** — The method of valuing stocks which assumes that all issues or sales are charged at the most current cost but stocks are valued at the oldest cost available.

NOTE — See also 2.116.

**2.177 Life Cycle Cost** — The analysis of costs (acquiring, using, carrying, and disposal, etc) over the entire life cycle of a given product, rather than a specific fiscal period. It includes factors based on stage (introduction, growth, maturity, decline) and all research and development, design, marketing, production and logistics costs.

**2.178 Liquidated Damages** — Damages to be claimed by purchaser for delay in supplies from the agreed date of delivery at the agreed rates as per the contract.

**2.179 Lot Number** — The allocation of a unique number, to one or more of a product during manufacture or assembly, to provide traceability.

**2.180 Lot** — A production run or batch that can be isolated from other runs and identified with a specific set of material, production facility and process characteristics and manufactured under identical conditions of production.

**2.181 Machine Hours** — The actual time recorded by a machine when used for production, and used in efficiency and utilization calculations.

**2.182 Maintenance Costs** — The costs incurred to support and ensure continued availability of an asset.

NOTE — It includes cost incurred on scheduled, unscheduled repairs and support staff.

**2.183 Make or Buy Decision** — An analysis of the cost of producing a particular item in-house; namely outsourcing it, with a view to assess as to which of these two options is economically beneficial.

**2.184 Make to Order (MTO)** — A manufacturing method in which commonly-used raw materials and components may be stocked based on previous demand history, but further processing into higher-level items is not done until receipt of a customer order.

**2.185 Make to Stock (MTS)** — A manufacturing method in which finished goods are produced and stocked even prior to receipt of an order from the customer.

NOTE — It uses a forecasting technique to initiate production of end items.

**2.186 Manufacturing Lead Time** — The total of all individual elements of lead time such as order preparation, queue, setup, processing, inspection, etc associated for a particular product.

NOTE — It indicates a projected availability date for an end item if the required raw material is on-hand.

**2.187 Marine Insurance** — An agreement by an organization with a customer to cover loss or damage of ships, cargo, terminals, and any transport or cargo by which property is transferred, acquired, or held between the points of origin and final destination.

**2.188 Maximum Order Quantity** — An order quantity which will not be exceeded based on the maximum level fixed.

**2.189 Maximum Stock** — The upper limit, expressed in quantitative, financial or time-based terms, to which the stock of an item should not exceed.

**2.190 Minimum Order Quantity** — The order quantity modified/increased, subsequent to the lot size requirement, based on the standard packing available/offered by a supplier.

**2.191 Minimum Stock** — A control limit in an inventory system which indicates the point at which a reordering is to be processed.

**2.192 Material Requirements Planning (MRP)** — A production planning and inventory control system used to manage manufacturing processes.

## NOTES

**1** Most MRP systems are software-based, while it is possible to conduct MRP by hand as well.

**2** An MRP system is intended to

- ensure materials are available for production and products are available for delivery to customers.
- plan maintain the lowest possible material and product levels in store.
- manufacturing activities, delivery schedules and purchasing activities.

**2.193 Manufacturing Resource Planning (MRP II)**

— A management concept for using human resources more productively for the effective planning of all resources of a manufacturing company.

NOTE — Ideally, it addresses operational planning in units, financial planning, and has a simulation capability to answer “what-if” questions and extension of MRP.

**2.194 MODVAT (Modified Value Added Tax)** — Excise duty on final product less the excise duty paid on the raw material/components.

**2.195 Negotiations** — Discussions between two or more entities to reach a mutually satisfactory agreement on the essentials of a contract.

**2.196 Net Requirements** — The need for an item based on its gross requirements (from forecasts, customer orders, etc), reduced by stock already on-hand and scheduled receipts.

**2.197 Obsolescence** — The degradation in the value and usefulness of a resource based on its age, technological advancement, change in style/model or other factors that may require a partial or total write off of its currently-stated value.

**2.198 Obsolete** — Status of an item or equipment indicating that due to obsolescence it is no longer required and/or not to be used.

**2.199 Original Equipment Manufacturer (OEM)** — Prime manufacturer of an item/equipment used by specific buyer(s).

NOTE — One manufacturer can be an OEM for many buyers. There can be many OEM for a particular item/equipment.

**2.200 Offload** — To shift a production or logistics requirements from the original to an alternate resource due to capacity and/or timing constraints.

**2.201 Offset** — Any condition imposed on a foreign bidder in relation to a particular procurement so as to encourage local development by means of domestic content/licensing of technology/investment requirements/counter-trade or other similar requirements.

**2.202 Offshore** — Production and operating or technical support facilities located in a foreign country.

**2.203 On Order** — The goods that have yet to arrive

at a location including all orders which are open/in transit/being picked up.

**2.204 On-hand Balance** — The quantity of an item which is held physically in stock.

**2.205 Online Bidding** — A process where organizations require supplier to submit their bids electronically.

**2.206 On-Time Delivery** — The receipt of scheduled shipments on the expected date, or within an allowable tolerance time limit.

**2.207 Opening Stock** — The stock of an item at the beginning of an inventory accounting period.

**2.208 Order Lead Time** — The total internal processing time necessary to transform a demand from the time it is felt and till the order is transmitted to the supplier.

**2.209 Order** — A request by the buyer to the supplier for supply of goods or services specifying description of item, quantity, rate, delivery schedule, terms and conditions etc.

**2.210 Ordering Cost** — The total of all costs associated with the processing, release of a purchase order, receipt of goods, inspection, etc.

**2.211 Outbound Logistics** — The processes and network used to pick, ship, track and store items ordered by customers, distribution centers and other supply chain partners.

**2.212 Outsourcing** — An external resource, instead of an internal, used for production of a single operation, from an item to complete assembly, shipping, order fulfillment, product design, network infrastructure support or other functions.

**2.213 Overhead** — Business operating costs that cannot be meaningfully or economically allocated to specific products or services.

NOTE — Examples of these could be manufacturing, marketing, general and administrative overheads etc.

**2.214 Overrun** — An excess of quantity produced/ costs incurred/time used compared to the standard/ budgeted/estimated parameters.

**2.215 Packing Slip** — A document of the supplier/ manufacturer that accompanies a shipment/ consignment describing its contents and quantities.

NOTE — It may also refer the order number.

**2.216 Pallet** — Portable platform of standard sizes made of wood/metal on which goods are stacked in unit loads and can be picked up by forklift/other machines to be transferred to a truck/storage place/ conveyer.

**2.217 Past Supplier** — A supplier who has been awarded contract(s) by the same organization for the same item prior to the date of opening of tenders and has successfully executed the contract(s) so awarded.

**2.218 Periodic Order Review System** — Inventory control method where the time interval between two orders is fixed, but the quantity on order depends on actual demand during the period.

**2.219 Periodic Replenishment** — An inventory control method in which the required quantity is ordered at a fixed interval of time.

NOTE — The quantity ordered each time will be dependent on various factors and may be different.

**2.220 Perpetual Inventory System** — An inventory control method in which the same quantity is ordered at a fixed reorder level of quantity.

**2.221 Pre-qualification Document** — The document issued by a procuring entity, including any amendments thereto, that set out the terms and conditions of the pre-qualification proceedings and includes the invitation to pre-qualify.

**2.222 Procurement Contract** — A contract entered into between the procuring entity and a successful bidder concerning the subject matter of procurement.

**2.223 Productivity** — A measure of resource utilization efficiency defined as the sum of the outputs divided by the sum of the inputs.

**2.224 Progressive Payment** — The system of making payments in phases based on the accomplishment of milestones, cost recovery agreement, or other contractual obligations.

**2.225 Proof of Delivery (POD)** — A document confirming the date of delivery/handing over of the goods by a supplier/carrier or their agents to buyer or his agent.

**2.226 Proposal or Offer** — An entity signifying to another entity its willingness to do or to abstain from doing anything with a view to obtain the assent of the other to such act or abstinence.

**2.227 Public Private Partnership** — An arrangement between the Government owned entity on one side and a private sector entity on the other, for the provision of public assets or public services or both through investments being made or management being undertaken by the private sector entity for a specified period of time where there is well defined allocation of risk between the private sector and the public entity and the private entity receives performance linked payment that conform (or are benchmarked) to specified and pre-determined performance standards, measurable by public entity or its representatives.

**2.228 Public Procurement** — An acquisition by purchase, lease, licence or otherwise of works, goods or services including award of public private partnership projects, by a procuring entity whether directly or through an agency with which a contract for procurement services is entered into but does not include any acquisition without consideration.

**2.229 Public Warehousing** — The storage of goods by an entity that offers storage facilities to the public for a fee.

**2.230 Purchasing** — The functions associated with buy-ing the goods and services.

**2.231 Purchasing Lead Time (PLT)** — The time lag between the decision to purchase an item and its actual addition to stock.

**2.232 Quantitative Restrictions (QRs)** — Specific limits imposed by the Government authorities on the quantity or value of goods that can be imported or exported.

**2.233 Radio Frequency Identification (RFID)** — A tag for identification of objects through radio frequency technology.

NOTE — RFID tags can be active or passive. Active tags contain a power source and emit a signal constantly. Passive tags receive power from the radio waves sent by the scanner/reader. The inherent advantages of RFID over bar code technology are:

- a) the ability to be read over longer distances,
- b) the elimination of requirement for “line of sight” reads,
- c) added capacity to contain information, and
- d) RFID tag data can be updated/changed.

**2.234 Rationing** — A technique of allocating available stocks of product among requesting customers typically used when demand exceeds anticipated availability.

NOTE — Various formulas or strategies may be employed based on customer relationships, urgency and price.

**2.235 Rate Contract** — An agreement between a procuring entity and one or more bidders which specifies the terms and conditions including the price, for the supply of a subject matter of procurement required on a recurring basis.

**2.236 Redistribution** — A trend in the distribution business where a large “redistributor” will purchase in huge quantities from the various manufacturers and warehouse the products. Individual smaller distributors can then purchase multiple manufacturers’ products from the redistributor to save on shipping costs.

**2.237 Redundant Stock** — An item/part/component which is no longer used/stocked by the organization because of technical change/modification/discontinuation of a production of a product requiring their use.

NOTE — Redundant parts may have a useful life elsewhere.

**2.238 Re-engineering** — A fundamental re-thinking and radical design of business processes to achieve substantial improvements in performance.

**2.239 Refrigerated Carriers** — Container/vehicles having a temperature controlled space to store/transport perishable goods and items requiring temperature controlled conditions for retaining their shelf life.

**2.240 Registered Supplier** — Any supplier who is on the list of registered supplier's of the procuring entity.

**2.241 Release Note** — Document in a specified format issued by an approved manufacturer certifying that the goods have been produced as per the required specifications.

NOTE — This is a typical document relating to aviation industry.

**2.242 Release-to-Start Manufacturing** — Average lead time from order release to start of the manufacture process.

NOTE — This lead time may typically be required to support activities such as material movement and line changeovers.

**2.243 Re-Order Level (ROL)** — A predetermined stock level in a inventory control system that triggers the need to place an order.

**2.244 Re-Order Quantity** — The quantity necessary to be ordered to replenish the stock at a given time.

NOTE — Also known as Replenishment Order Quantity.

**2.245 Replenishment Order Quantity** — *See also 2.244.*

**2.246 Request for Proposal (RFP)** — *See also 2.168.*

NOTE — Also known as Request for Quotation (RFQ).

**2.247 Request for Quotation (RFQ)** — *See also 2.168.*

NOTE — Also known as Request for Proposal (RFP).

**2.248 Return Material Authorization or Return Merchandise Authorization (RMA)** — A reference number provided by a supplier to a buyer authorizing him to return a product.

**2.249 Return to Vendor (RTV)** — Material that has been rejected by the buyer and is awaiting shipment back to the supplier.

**2.250 Return Processing Cost** — The total cost to process recall, repairs, refurbished, excess, obsolete, and End-of-Life products.

NOTE — This could include the costs of logistics support, materials, centralized functions, troubleshooting service requests, on-site diagnosis and repair, external repair, and miscellaneous. These costs are broken into Returns Order

Management, Returns Inventory Carrying, Returns Material Acquisition, Finance, Planning, IT, Disposal and Warranty Costs.

**2.251 Rules-Based Picking Logic** — A picking methodology which is based on preset rules governing the various pick strategies as per instructions given in the orders.

**2.252 Reverse Auction** — An online real-time purchasing technique utilized by the procuring entity to select the successful submission, which involves presentation by bidder of successively lowered bids during a scheduled period of time and the automatic evaluation of bid.

**2.253 Reverse Logistics** — The system of collecting, moving and performing other allied activities of the previously shipped goods, from a customer back to a manufacturer or distribution centre for repair/service/credit or due to error in order execution.

**2.254 Running Contract** — It is a contract for the supply of an approximate quantity of stores at a specified price during a certain period.

NOTE — In other words the purchaser guarantees to take quantity before expiry of contract.

**2.255 Safety Stock** — The additional inventory held as a buffer against uncertainties in demand or in the supply system.

**2.256 Salvage Material** — An item that has value in addition to its worth as scrap.

NOTE — The item is, however, no longer useful as a unit in its present condition and whose restoration to usefulness as a unit is not economically feasible.

**2.257 Scenario Building** — A methodology used to anticipate a possible large scale changes that could affect an organization and develop scenarios to respond to different future situations.

**2.258 Sensitivity Analysis (SA)** — The study of effect of variation (uncertainty) in the input variables on the output values.

**2.259 Service Level** — It is a measure in terms of the percentages of actual performance vis-à-vis the predetermined desired levels of service. In the context of material, it is the ratio of number of times the demand is met.

**2.260 Shelf Life** — The maximum time an item can remain in store without deterioration.

**2.261 Shipping Lane** — A predetermined, mapped route on the ocean that commercial vessels tend to follow between ports. This helps ships avoid hazardous areas.

NOTE — In general transportation, the logical route between

the point of shipment and the point of delivery used to analyze the volume of shipment between two points.

**2.262 Shipping Manifest** — A list prepared by the shipper giving details of the reference number of each shipping order in the load, the weight, and count of boxes or containers, and the destination.

**2.263 Simplification** — The methodology that seek to reduce variation in product and process.

**2.264 Slow Moving Inventory** — Goods in stock that have had no usage activity for a specified number of days, or whose usage rate is significantly below the historical or expected average.

**2.265 Slurry** — Dry commodities that are made into a liquid form by the addition of water or other fluids to permit movement by pipeline.

**2.266 Sourcing** — The process of identifying suppliers and carrying out procurement process to conclude contracts for supply of goods and services.

**2.267 Special Economic Zone (SEZ)** — A designated physical location in which a firm enjoys moratorium for a specific period from certain levies.

**2.268 Spot Demand** — Unusual high demand for a product with a corresponding shorter lead time.

**2.269 Standard Container** *See also 2.69.*

**2.270 Standardization** — The methodology to reduce the variability of item or processes through elimination of lesser used or slow/non-moving items by specifying an in-lieu of item, in-stock to be used.

**2.271 Stock in Transit** — All goods in transit from one point in a supply chain to another supply chain destination, expressed in quantitative or financial terms.

**2.272 Stock Order** — A production order used to replenish inventory to the desired level, irrespective of the requirement from a customer.

**2.273 Stock Taking** — A physical count of products, actually held in stock on a particular date, for verification of the stock records and accounts.

**2.274 Stockless Purchasing** — A practice whereby the buyer negotiates a price for the purchases of annual requirements and the supplier owns and holds inventory until the buyer places an order for individual items.

**2.275 Stockout Cost** — The opportunity cost associated with not having sufficient supply to meet the actual demand.

**2.276 Subcontracting** — Giving work to a third party.

**2.277 Supplier** — Any person or organization that

provides inputs of goods and/or services to a purchasing entity.

NOTE — Earlier known as vendor.

**2.278 Supplier Capacity Analysis** — An assessment of a supplier's capacity *viz-a-viz* the buyer's requirements.

**2.279 Supply Chain** — The physical, financial, and information networks that involve the movement of goods, funds, and related information through the full logistics process, from the acquisition of raw materials to delivery of finished goods to the end user. The supply chain includes all vendors, service providers, customers, and intermediaries.

**2.280 Supply Chain Management (SCM)** — The coordinated set of techniques to plan, execute and manage to and fro flow of material, information and finance in the global network right from conceiving the demand of material and services to delivery to end customers.

**2.281 Supply Chain Optimization** — The method to determining the level of resources across all or part of a supply chain to achieve supply chain objectives such as minimizing total cost or maintaining a desired service level or both.

**2.282 Supplier-Owned Inventory** — A variant of vendor-managed inventory and consignment inventory. In this case, the supplier not only manages the inventory, but also owns the stock close to or at the customer location until the point of consumption or usage by the customer.

**2.283 Supplier Rating** — An evaluation of a supplier based on his performance on quality, delivery, price, involvement in process improvement programs and other parameters.

NOTE — This results in rating the supplier in categories such as preferred, approved (qualified) or unsatisfactory (disqualified).

**2.284 Third Party Inspection Agency** — An outsourced agency engaged by customer to get the pre-dispatch inspection carried out of the goods to be supplied by the supplier.

**2.285 Third Party Logistics Provider (3PL)** — An outsourced entity that manages all or a significant part of an organization's logistics requirements.

**2.286 Throughput** — The volume of output generated by a resource in a specific period of time.

**2.287 Tier 1 Supplier** — A immediate or primary set of supplier directly used by a company.

NOTE — Tier 2 is a supplier to tier 1.

**2.288 Tier 2 Supplier** — A supplier to a tier 1 supplier.

**2.289 Tolerance Clause** — A clause in the contract where purchaser has an option to buy certain quantity of its original order quantity at the same terms and conditions, as applicable for the original order, within the specified period as per the contract.

**2.290 Total Cost Analysis** — A method used for analysing the total cost between different options based on various costs such as transportation, warehousing, inventory, taxes, duties, warranties, etc.

**2.291 Total Cost Curve** — The curve depicting fixed cost and variable cost for the various levels of production.

**2.292 Total Cost of Ownership** — Total cost of an asset throughout its lifecycle.

**2.293 Total Supply-Chain Management Cost** — Total cost to manage order processing, acquire materials, manage inventory, and manage supply-chain finance, planning, and IT costs, expressed as a percent of revenue.

**2.294 Total Supply Chain Response Time** — The lead time to rebalance the supply chain to meet a change in market demand.

**2.295 Trade Barriers** — Government imposed restriction on the free international exchange of goods or services.

NOTE — Trade barriers are generally classified as

- a) import policies reflected in tariffs and other import charges, quotas, import licensing, customs practices,
- b) standards, testing, labelling, and various types of certification,
- c) direct procurement by Government,
- d) subsidies for local exporters,
- e) lack of copyright protection,
- f) restrictions on franchising, licensing, technology transfer, and
- g) restriction on foreign direct investment, etc.

**2.296 Two Bin Inventory System** — An inventory system that uses two physical bins, one of which holds the stock equivalent to the consumption during the lead time.

NOTE — Issues are made from other bin. When this bin is empty, a reorder is placed.

**2.297 Unit Load Device (ULD)** — It refers to cargo containers, pallets of standard size for easy transportation and to avoid transit damage.

NOTE — This is typical to airfreight industry. The outer shape fits the internal wall contours of a cargo hold of the aircraft.

**2.298 Unitization** — The process of bundling of items/boxes together on a pallet or a container for easier and economical transportation.

**2.299 Validity of Offer** — A date fixed in tender forms/

offer up to which the bids are open for acceptance.

**2.300 Value Analysis** — The organized use of methodologies that focus on the function of a goods, processes or services in providing value to the customer. It attempts to define cost, quality and customer acceptance parameters in determining the value and possible redesign or reengineering of a given function.

**2.301 Value Engineering** — The systematic application of recognized techniques which identify the functions of the product or service, establish the work of those functions, and provide the necessary functions to meet the required performance at the lowest overall cost.

NOTE — Value engineering can also achieve enhanced value by improving the functions that are desired by the customer even at an increased cost.

**2.302 Variable Cost** — A cost that is proportionate to the volume of production of goods/services.

NOTE — The cost is primarily towards direct material cost/labour cost.

**2.303 Variety Rationalization** — The selection of the optimum number of sizes and other characteristics or types of a product required to meet prevailing needs.

**2.304 Vendor Managed Inventory (VMI)** — An inventory management system in which a supplier maintains and manages the inventory of items at the customer's premises, including timely replenishments.

NOTE — Payment of the goods are made based on the actual issues made from this inventory.

**2.305 Warehouse Management System (WMS)** — An integrated set of system designed to locate, put away, move, pick and cycle count/inventory verification activities of a warehouse or distribution center.

**2.306 Warranty** — Undertaking, either expressed or implied that a certain fact regarding the subject matter of contract is presently true or will be true.

**2.307 Waybill** — Document containing description of goods that are a part of common carrier freight shipment. Show origin, destination, consignee/consignor, and amount charged. Copies of this document accompany the goods and are retained by originating/delivering agents.

**2.308 Work in Process (WIP)** — Material that has been partially processed but not yet transformed into end product.

**2.309 International Commercial Terms (INCO Terms)**

**2.309.1 EXW** — *EX WORKS (... named place of*

*delivery*) — The Seller's only responsibility is to make the goods available at the Seller's premises. The Buyer bears full costs and risks of moving the goods from there to destination.

**2.309.2 FCA – FREE CARRIER (... named place of delivery)** — The Seller delivers the goods, cleared for export, to the carrier selected by the Buyer. The Seller loads the goods if the carrier pickup is at the Seller's premises. From that point, the Buyer bears the costs and risks of moving the goods to destination.

**2.309.3 CPT – CARRIAGE PAID TO (... named place of destination)** — The Seller pays for moving the goods to destination. From the time the goods are transferred to the first carrier, the Buyer bears the risks of loss or damage.

**2.309.4 CIP – CARRIAGE AND INSURANCE PAID TO (... named place of destination)** — The Seller pays for moving the goods to destination. From the time the goods are transferred to the first carrier, the Buyer bears the risks of loss or damage. The Seller, however, purchases the cargo insurance.

**2.309.5 DAT – DELIVERED AT TERMINAL (... named terminal at port or place of destination)** — The Seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the Buyer's disposal at a named terminal at the named port or place of destination. "Terminal" includes any place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal. The Seller bears all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination.

**2.309.6 DAP – DELIVERED AT PLACE (... named place of destination)** — The Seller delivers when the goods are placed at the Buyer's disposal on the arriving means of transport ready for unloading at the named place of destination. The Seller bears all risks involved in bringing the goods to the named place.

**2.309.7 DDP – DELIVERED DUTY PAID (... named place)** — The Seller delivers the goods -cleared for import – to the Buyer at destination. The Seller bears all costs and risks of moving the goods to destination, including the payment of Customs duties and taxes.

### **2.310 Maritime-only Terms**

**2.310.1 FAS – FREE ALONGSIDE SHIP (... named port of shipment)** — The Seller delivers the goods to the origin port. From that point, the Buyer bears all costs and risks of loss or damage.

**2.310.2 FOB – FREE ON BOARD (... named port of shipment)** — The Seller delivers the goods on board the ship and clears the goods for export. From that point, the Buyer bears all costs and risks of loss or damage.

**2.310.3 CFR – COST AND FREIGHT (... named port of destination)** — The Seller clears the goods for export and pays the costs of moving the goods to destination. The Buyer bears all risks of loss or damage.

**2.310.4 CIF – COST INSURANCE AND FREIGHT (... named port of destination)** — The Seller clears the goods for export and pays the costs of moving the goods to the port of destination. The Buyer bears all risks of loss or damage. The Seller, however, purchases the cargo insurance.



**ANNEX A***(Foreword)***COMMITTEE COMPOSITION****Management and Productivity Sectional Committee, MSD 4**

<i>Organization</i>	<i>Representative</i>
Indian Institute of Materials Management, New Delhi	SHRI V.K. JAIN ( <i>Chairman</i> )
Additional Directorate General of Financial Planning, New Delhi	REPRESENTATIVE
Associated Chambers of Commerce and Industry of India (ASSOCHAM), New Delhi	PROF AMAN AGARWAL
Bharat Electronics Ltd, New Delhi	SHRI BALRAJ SETH
Bharat Heavy Electricals Ltd, New Delhi	SHRI K. K. SETH SHRI JAGDISH PRASAD ( <i>Alternate</i> )
Confederation of Indian Industry, Bangalore	DR SARITA NAGPAL SHRI C.V. RAO ( <i>Alternate</i> )
Directorate General of Quality Assurance, Kanpur	SHRI I DEVKI NANDAN ( <i>Principal</i> ) SHRI M.V. KUMBHALKAR ( <i>Alternate</i> )
DRDO, Ministry of Defence, New Delhi	SHRI A.K. SINGH SHRI S.S. KIRAR ( <i>Alternate</i> )
Engineers India Ltd, New Delhi	SHRI SATISH MURGAI SHRI M.K. JAIN ( <i>Alternate</i> )
FICCI, New Delhi	DR S. BAJAJ
HCL Technologies, NCR	REPRESENTATIVE
Indian Institute of Management, Indore	PROF V.K. GUPTA
Indian Institute of Materials Management, New Delhi	SHRI M.K. BHARDWAJ
Indian Institute of Finance, Delhi and Noida	PROF SAURABH AGARWAL PROF MANJU AGARWAL ( <i>Alternate</i> )
Indian Institute of Foreign Trade, New Delhi	MS VIJAYA KATTI DR BISWAJIT NAG ( <i>Alternate</i> )
Indian Statistical Institute, New Delhi	MS RINA CHAKRAVORTY
International Management Institute, New Delhi	DR B. METRI
Larsen and Toubro Limited, Baroda	SHRI K. RAVINDRANATH SHRI MOHAMMED HABIBULLA ( <i>Alternate</i> )
Management Development Institute (MDI), Gurgaon	REPRESENTATIVE
Maruti Suzuki India Ltd, Gurgaon	SHRI A.K. TOMER SHRI S. BOSE ( <i>Alternate</i> )
National Informatic Centre, New Delhi	DR V. SIVARAMAKRISHNAIAH
Naval Headquarters, New Delhi	CAPT D.K. SINGH LT CDR S. SREEKANTH ( <i>Alternate</i> )
Northern Railway, New Delhi	REPRESENTATIVE
NITIE, Mumbai	REPRESENTATIVE
Ordnance Factory Board, Kolkata	SHRI S. K. YADAV SHRI SANJAY SRIVASTAV ( <i>Alternate</i> )
Project Management Institute, New Delhi	SHRI DHIRAJ GYANI MS LEENA GUPTA ( <i>Alternate</i> )
Punj Lloyds Pvt. Ltd, Gurgaon	SHRI ADARSH SONI SHRI MUKESH ARORA ( <i>Alternate</i> )
Society for Human Resource Management (SHRM)	DR MARIA CHRISTINE NIRMALA MS DYNA GANAPATHY ( <i>Alternate</i> )
Sri Venkateswara University, Tirupati, Andhra Pradesh	PROF P. RAJASEKHARA REDDY
Steel Authority of India. Ltd., New Delhi	SHRI R. K. ANAND
The Institute of Cost and Works Accountants of India, New Delhi	SHRI J. P. SINGH

## IS 16421 : 2016

<i>Organization</i>	<i>Representative(s)</i>
WIPRO Technologies, NCR	REPRESENTATIVE
In personal capacity (804, Chelsea Tower, Omaxe Heights, Vibhuti Khand, Gomti Nagar, Lucknow-226010)	PROF S. CHAKRABORTY
In personal capacity (D-27, Panchsheel Enclave, New Delhi)	PROF R.K. SACHDEVA
In personal capacity (H 67C, DDA Flats, Saket, New Delhi)	SHRI MAHESH CHAUDHARY
BIS Directorate General	SHRI K.N. RAO, Scientist 'F' and Head (MSD) [Representing Director General ( <i>Ex-officio</i> )]

*Member Secretary*  
SHRI PRAVEEN KHANNA  
Scientist 'E' (Management and Systems), BIS

### Composition of the Panel on 'Glossary of Terms in Supply Chain Management', MSD 4/P-24

<i>Organization</i>	<i>Representative(s)</i>
Indian Institute of Materials Management, New Delhi	SHRI M.K. BHARDWAJ ( <b>Convener</b> )
Indian Institute of Materials Management, New Delhi	SHRI V.K. JAIN
Bharat Heavy Electricals Ltd, Haridwar	SHRI MALVINDER SINGH
IMT, Ghaziabad	PROF V.K. GUPTA
DGS&D, New Delhi	SHRI A.N. JHA
MOIL, Nagpur	SHRI A.K. MEHRA
In personal capacity (F/12-F, DDA Flats, Munirka, New Delhi - 110067)	SHRI TEK CHAND

## Bureau of Indian Standards

BIS is a statutory institution established under the *Bureau of Indian Standards Act, 1986* to promote harmonious development of the activities of standardization, marking and quality certification of goods and attending to connected matters in the country.

## Copyright

BIS has the copyright of all its publications. No part of these publications may be reproduced in any form without the prior permission in writing of BIS. This does not preclude the free use, in the course of implementing the standard, of necessary details, such as symbols and sizes, type or grade designations. Enquiries relating to copyright be addressed to the Director (Publications), BIS.

## Review of Indian Standards

Amendments are issued to standards as the need arises on the basis of comments. Standards are also reviewed periodically; a standard along with amendments is reaffirmed when such review indicates that no changes are needed; if the review indicates that changes are needed, it is taken up for revision. Users of Indian Standards should ascertain that they are in possession of the latest amendments or edition by referring to the latest issue of 'BIS Catalogue' and 'Standards : Monthly Additions'.

This Indian Standard has been developed from Doc No.: MSD 04 (0456).

## Amendments Issued Since Publication

Amend No.	Date of Issue	Text Affected

## BUREAU OF INDIAN STANDARDS

### Headquarters:

Manak Bhavan, 9 Bahadur Shah Zafar Marg, New Delhi 110002  
Telephones : 2323 0131, 2323 3375, 2323 9402      Website: www.bis.org.in

### Regional Offices:

	Telephones
Central : Manak Bhavan, 9 Bahadur Shah Zafar Marg NEW DELHI 110002	{ 2323 7617 2323 3841
Eastern : 1/14 C.I.T. Scheme VII M, V. I. P. Road, Kankurgachi KOLKATA 700054	{ 2337 8499, 2337 8561 2337 8626, 2337 9120
Northern : SCO 335-336, Sector 34-A, CHANDIGARH 160022	{ 260 3843 260 9285
Southern : C.I.T. Campus, IV Cross Road, CHENNAI 600113	{ 2254 1216, 2254 1442 2254 2519, 2254 2315
Western : Manakalaya, E9 MIDC, Marol, Andheri (East) MUMBAI 400093	{ 2832 9295, 2832 7858 2832 7891, 2832 7892

**Branches:** AHMEDABAD. BENGALURU. BHOPAL. BHUBANESHWAR. COIMBATORE. DEHRADUN. FARIDABAD. GHAZIABAD. GUWAHATI. HYDERABAD. JAIPUR. KOCHI. LUCKNOW. NAGPUR. PARWANOO. PATNA. PUNE. RAJKOT. VISAKHAPATNAM.