Purchasing contract

A purchasing contract, also known as a procurement contract or supply contract, is a legally binding agreement between a buyer and a seller that outlines the terms and conditions governing the purchase of goods or services. These contracts are commonly used in business transactions to ensure that both parties understand their rights and obligations, which helps to prevent disputes and ensure a smooth procurement process.

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Key elements of a purchasing contract

All purchase contracts share certain common requirements, and should ideally contain as much detail as possible.

Core information

- **Parties** - The contract identifies the buyer and the seller, including their legal names and contact information.

- **Description of Goods or Services** - The contract specifies the goods or services to be purchased, including their quantity, quality, specifications, and any relevant details. or services to be purchased
- **Price and Payment Terms** - The contract outlines the price of the goods or services, as well as the payment terms, such as when payments are due, the method of payment, and any applicable taxes or fees.
- **Delivery Terms** - This section defines when and where the goods or services will be delivered, including shipping terms, delivery dates, and any associated costs or responsibilities.
- **Warranties and Guarantees** - The contract may include information about any warranties or guarantees provided by the seller regarding the quality, performance, or condition of the goods or services.
- **Terms and Conditions** - These are the general terms and conditions that both parties must adhere to, including details about dispute resolution, termination, and any other relevant clauses.
- **Governing Law** - The contract typically specifies the jurisdiction or legal system that will

govern the agreement and any disputes that may arise.

Other information

- **Acceptance and Inspection** - The contract may outline the process for accepting and inspecting the goods or services upon delivery, as well as the procedures for addressing any issues or defects.
- **Indemnification and Liability** - It may specify the responsibilities and liabilities of each party in case of damages, losses, or disputes.
- **Intellectual Property Rights** - If applicable, the contract might address issues related to intellectual property, including the ownership of any proprietary information or technology.
- **Confidentiality** - The contract may include provisions for keeping certain information confidential, particularly if the goods or services involve sensitive data or trade secrets.
- **Force Majeure** - This section outlines what happens if unforeseen events or circumstances beyond the control of the parties (e.g., natural disasters, strikes, etc.) disrupt the contract.

Purchasing contract types

Generally there are two main types of purchasing contracts,

Individual purchasing contract

For one-time purchases, the customer and supplier enter the [offer negotiation process](). When an agreement is reached, the customer creates a [purchase order](). This creates a [customer order]() on the supplier side. Until this stage the purchase order/customer order pair is nonbinding and no contract exists.

Upon confirmation of the customer order by the supplier, an **individual purchasing contract** is established which is legally binding. With individual purchase contract all details are defined by the purchase/customer order pair.

This is the most common type of purchase order, and the simplest. Basic purchases, like replenishing office supplies, are of this type.

Master purchase contracts

When defining a relation with a partner, which governs multiple future purchases, master contracts are the way to proceed. ZUGSEIL supports these contract types:

Planned Purchase Contracts

When you are partnering with a single supplier as your sole source of specific goods or services, this type is right. You can create a single contract, and then schedule purchase orders released during the timespan of the contract. This contract type has the benefits, that you and the vendor can plan regarding liquidity demand (you) and stock demand (vendor).

Blanket Purchase Contract

When you are partnering with a defined supplier, but you're not sure about your precise time frame or quantities required, use this type of contract. *Blanket Purchase Contracts* typically have a limited quantity ceiling and cover a specific period of time. They're useful in locking down pricing terms with a given vendor before making purchases from them.

Long-Term Purchase Contracts

Rather than a binding legal agreement for a specific purchase, contract purchase orders create a high-level, *long-term* agreement. This legally binding contract spells out in detail the exact terms, pricing, and conditions of all purchases made from the supplier by your company, but not specific purchases themselves. They might not have an expiration date, and the framework itself lets you issue standard Purchase Orders that conform to the terms and conditions established within the contract purchase order.

	STANDARD	PLANNED	BLANKET	LONG-TERM
Established Terms & Conditions	YES	YES	YES	YES
Goods & Services Specified	YES	YES	YES	NO
Pricing Specified	YES	YES	POSSIBLE (Price-Steps)	NO
Quantities Specified	YES	YES	POSSIBLE (Price-Steps)	NO
Account	YES	YES	NO	NO
Established Delivery Schedule	YES	POSSIBLE	NO	NO

Purchasing contract data

A purchasing contract is an extension of a [contract](). Specific data to a purchasing contract are the references to the [purchase order]() and eventually the customer order, if the supplier is part of the b-op network.

Related Articles

- [Contracts]()
- [Purchase order]()
- [Customer order]()