



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management
Graduate Diploma in Materials Management
PAPER No. 5

Dec 2014

Purchasing Management

Date : 13.12.2014

Time : 10.00 a.m. to 1.00 pm

Max. Marks :100

Duration : 3 Hrs.

Instructions :

1. From Part A – answer all questions (compulsory). Each sub questions carries 1 mark. **Total : 32 Marks**
 2. From Part B – Answer any 3 questions out of 5 questions. Each question carries 16 marks. **Total : 48 Marks**
 3. Part C is a case study (compulsory) with questions. Read the case study carefully and answer the questions
(4 questions of 5 marks each) **Total: 20 Marks**
 4. Please read the instructions given in the answer sheet
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PART A

Total 32 marks

Q.1 Please state whether the following statements are “True” or “False”. Please do not rewrite the statements while answering in answer book .(1 Mark each)

- a) Negotiation is a process and not a onetime event.
- b) The right price excludes levy of duties & taxes.
- c) Decentralized purchase organization is best suited for modern business irrespective of number of plants and products.
- d) One of the elements of IIMM code of Ethics is to consider first the total interest of one’s organisation in all transactions without impairing the dignity & responsibility of one’s own office.
- e) Make or buy decisions are particularly important in the development of new products.
- f) Learning curve is helpful in negotiations.
- g) ISO 9001 is not important for vendor evaluation.
- h) Price variation clause should invariably include clause for wage variation.

Q.2. Give full-form of the following (1 mark each)

- | | | | |
|--------|---------|------------|-----------|
| i) CPM | ii) LTE | iii) SRM I | v) VAT |
| v) L/C | vi) RFQ | vii) ERP | viii) JIT |

Q.3. Match the following entries in column A with entries in column B (1 mark each)

Column "A"		Column "B"	
A	CIF	1	Method of evaluation for high energy consuming items
B	Green Purchasing	2	Supplier performance evaluation method
C	Life Cycle Costing	3	Mode of payment
D	DGS&D	4	INCOTERMS
E	Cost Ratio Method	5	Public Buying Organization
F	Letter of credit	6	Environment friendly purchasing
G	Arbitration	7	Economy of scale
H	Centralised Purchasing	8	Resolution of difference with supplier

Q.4 Fill in the blanks (1 mark each)

- 1) In rate contract, period is fixed but _____ is not fixed.
- 2) Two advantages of decentralised purchasing are _____ and _____.
- 3) General Financial Rules 2005 are the guiding rules for _____.
- 4) Protection to supplier from unforeseen conditions like acts of god is included in purchase order by way of _____ clause.
- 5) Best INCOTERM in international business is _____ from Purchaser's convenience.
- 6) In the make or buy decision, most important consideration is _____ competence of the buyer.
- 7) _____ is the process of comparing the cost, cycle time, productivity or quality of a specific process or method to another that is widely considered to be an industry standard or best practice .
- 8) _____ is an important method of vender rating.

PART – B

16 x3 = 48 marks

(Answer any three. Each question carry 16 marks)

- Q.5. a) Explain the concept of Green Purchasing?
b) Explain the "Golden Rule of 7R's"?

Q.6. Explain the evaluation and selection procedure for a new vendor.

Q.7. Explain the important clauses to be included in a purchase order.

Q.8. Explain the purchasing cycle starting from receipt of purchasing requisition.

Q.9. Short Notes: any 4

- a) Rate Contract
- b) De-centralised Organisation
- c) Cost Price Analysis
- d) Importance of Purchase Policy and Manual
- e) Learning curve
- f) Value Analysis

PART – C
COMPULSORY

20 marks

Q.10. Case Study:

M/s. ABC Ltd wanted to purchase Bullet Proof Jackets (BPJ) for its security guards at its various Offices and installation in Jharkhand and Odisha, which are affected by Maoist violence. Total requirement of BPJs was about 500 nos. Company wanted to purchase the BPJs within one month as they had received information about security threat the from security authorities. The responsibility of purchase was given to a middle level Purchase Officer in head office at Delhi.

Bullet Proof Jackets is a life saving sophisticated device. The manager initially approached a company from Hyderabad to whom technology was heard to be transferred by defence but there was no response for 15 days. Thereafter he mentioned the issue to a friend of him who mentioned that he know an agent of a firm supplying BPJs. Next day Mr. R K Jain called on Purchase Manager through reference of the friend of Purchase Manager and mentioned he could arrange BPJs from one Indian Supplier within one month Purchase Manager requested him to give a formal proposal which was submitted on 26/9/12 as under on behalf of M/s. URBR Ltd Delhi.

- a. Item : Bullet Proof Jacket
- b. Qty. : 500 nos
- c. Delivery : At consignee's place in Delhi
- d. Delivery period : Within One Month
- e. Rate : Rs.20000/- all inclusive per number
- f. Payment : 95% on delivery of stores to consignee and balance 5% after confirmation of receipt of stores in good condition.

Purchase Manager placed a supply order on 27/9/2012 for delivery by 31/10/2012 and other stipulations as above on M/s. URBR Ltd Delhi M/s. URBR Ltd supplied 200 BPJs on 15-10-2012. Hyderabad based firm mentioned on 16/10/2012 that the can supply BPJs @ 15000/- per number Within 15days. On receipt of communication from Hyderabad firm, the Purchase Manager cancelled the Supply order for balance qty of 300 nos without financial repercussions on 17-10-2012 M/s. URBR Ltd Delhi protested on 18-10-2012 and mentioned that they were ready with entire qty and requested for reinstatement of contract. Purchase Manager replied on 27-10-2012 that cancellation was in order. M/s. URBR Ltd served a legal notice on 29-10-2012 for damages for the cost of unsupplied qty and for payment of 200 nos. Purchase Manager asked security personnel to test the BPJs by firing bullets from AK47 at same place from 1 meter distance. The samples taken from BPJs supplied by M/s. URBR failed in firing and Purchase Manager mentioned that no payment was payable as BPJs were of poor quality. M/s.URBR filed a case in Delhi Court for damages and payments in term of their legal notice. Purchase Manager later found that the M/s. URBR's Memorandum of Association did not show them to be in business of security devices. His friend refused to intervene in the matter.

Please answer the following questions:-

Questions:

- 1) Comment on the method of selection of supplier in this case
- 2) Comment on the specification and quality aspects to be included in tender and supply order.
- 3) Comment on the dispute resolution in contracts
- 4) Comment on the cancellation of contract before expiry of agreed delivery period.
