



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

June 2013

Purchasing Management

Date : 08.06.2013

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

PART A

(1 x 32 = 32 marks)

Q.1 (A) Please state whether the following statements are “True” or “False”. Please do not rewrite the statements while answering in answer book . Total = 12 marks

- 1) Vendor list updating is important in purchasing.
- 2) Purchase manager should not have thorough knowledge of Customs, taxes & excise duty.
- 3) Negotiation skills are required while purchasing.
- 4) Open tender is advertised in news papers.
- 5) Bulk liquid chemicals are transported in open truck.
- 6) Quality and energy efficiency of equipment is not important in purchasing.
- 7) “Force Majeure” forms part of Purchase Contract.
- 8) Purchasing is just clerical function.
- 9) Transit Insurance is part of purchase order.
- 10) Communication skill is not required in purchasing.
- 11) Strategic planning is influenced by legislation and government regulations.
- 12) Green Purchasing deals with procurement of green colored items.

Q.1(B) Match the following:

[Total : 8 Marks]

(1) BPR	(A) ERP
(2) CENVAT	(B) Quality
(3) TQM	(C) AWB
(4) SAP,ORACLE,BANN	(D) JIT
(5) Dispatch by Air	(E) B/L
(6) Shipment by sea route	(F) Transit Damages
(7) Insurance Claim	(G) Excise Duty
(8) Inventory Control	(H) Fundamental thinking for improvement

Q.1(C) Write short notes :

[Total : 4 Marks]

1. Types of Tenders ; 2. Penalty Clause

Q.1(D) Write the full form of the following. (1 Mark each)

[Total : 8 Marks]

- (1)EOQ; (2) CIF; (3) L/C; (4) GPS;
(5) SCM (6) JIT; (7) ERP; (8) BPR

PART B

[Total : 48 Marks]

Write any THREE out of the following five questions i.e, Q.2 to Q.7: (16 Marks each)

- Q.2** Discuss various terms & conditions of a purchase order. List out various payment terms used in import procurement.
- Q.3** Elaborate the evaluation and selection procedure of vendors. What is the significance of vendor's location?
- Q.4** What are the merits and demerits of ERP system in a large company? How can appropriate ERP for purchasing be decided?

Q.5 What are the main elements of ethics code? What should be the qualities of ethical purchaser?

Q.6 What is negotiation? What are negotiation strategies? What are the potential areas for negotiation in purchasing?

Q.7 Explain the purchase procedure. What are the steps in purchasing?

PART C

Compulsory

CASE STUDY

[Total : 20 Marks]

Q.8

M/s ABC Chemical Inc is large scale chemical manufacturing company having eight plants in different part of the world. Mr Manish Kumar Chadha is responsible for managing procurement of spares of equipment for all plants. Procurement of spares is done based on PRs from different user plants. There is no centralized planning cell for verifying requirement raised by different users. Also there is sub-store at all plants besides centralized General Stores. Currently there is increased inventory level of spares. Users are also complaining about quality related issues like fitment/interchangeability. There is overall increase of emergency procurement of spares.

Manish Kumar is facing following issues also while dealing with OEMs:

- * Poor response from OEMs
- * Some of the OEMs have stopped their operations
- * Equipment is obsolete

Please answer the following questions for the above case:

1. What organizational changes would you suggest for the spares procurement?

2. What strategies do you suggest for improving procurement service level?

3. Which criteria will you include in Vendor Performance Evaluation?

4. How will you shorten the lead time of procurement?

5. Will you advise users to buy new equipment where the equipment is obsolete?
