



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management
Graduate Diploma in Materials Management

June 2014

PAPER No. 5

Purchasing Management

Date : 14.06.2014

Max. Marks :100

Time : 10.00 a.m. to 1.00 pm

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

Q.1 Please state whether the following statements are “True” or “False”. (8 marks)

1. Purchase manager is custodian of his firms purse-
2. Purchasing interacts in a variety of ways only with outside sources.-
3. A quality assurance system is a systematic approach to the organization-
- 4 Right price means the best ultimate value-
- 5.A plant is an operating unit for production & materials requirement planning-
6. A storage location is the place where stock is not physically kept.
- 7 Political accountability is the accountability of the government.
- 8.Trade shows helps to gain product knowledge & supplier evaluation.-

Q-2 Match the following

(8 marks)

- | | |
|---------------------------|--|
| a)Supplier rating | 1) Determining who is best |
| b) Trading or exchange | 2) Bank's promise |
| c) Performance evaluation | 3) commercial document |
| d) Negotiation | 4) process of measuring |
| e) Letter of credit | 5)Form of power |
| f) Purchase order | 6) Presenting positions and demands |
| g) Leasing | 7) Performance management system |
| h) Benchmarking | 8) Alternative to an outright purchase |

Q-3 Give full forms for

(8 marks)

- 1) VQR
- 2) VE
- 3) CBEC
- 4) RFP
- 5) IFB
- 6) NAEB
- 7) BOT model
- 8) ADM

Q-4 Fill in the blanks

(8marks)

- 1) Purchasing executives first & foremost obligation is _____in spending firms funds.
a) sincerity b) integrity c) regularity d) commandability
- 2) Improper planning of procurement will incur _____ cost.
a) additional . b) double . c) triple d) minimal
- 3) The Right place means right place of _____
a)delivery b) supply c) procurement d) receipt
- 4) Senior functional manager are responsible for allocating _____
a) resources b) duties c) planning d) policies

- 5) _____are composed of different classes.
- a) cost b) skill c) labour d)material
- 6) A client can be referred to as a group of _____
- a) companies b) suppliers c) customers d) distributors
- 7) Cross functional team consist of _____ functional areas of organization.
- a) various b) same c) two d) one
- 8)_____ means the falsification of data information .
- a) fabrication b) plagiarism c) sabotage d) deception

PART B

[Total : 48 Marks]

Write any THREE out of the following five questions i.e., Q.5 to Q.9: (16 Marks each)

- Q-5 Mr. Sharma head of operations in a ABC firm want to establish code of ethics in his company suggest him practical guidelines ?
- Q-6 a) Which are the factors responsible for opting outsource decision ?
b) Elaborate on the concept of learning curve?
- Q-7 a) What are different purchasing methods?
b) Explain Quality assurance with the help of examples?
- Q-8 What is negotiation ? write in detail different phases of negotiations?
- Q-9 Write SHORT notes any four (4*4=16)
- a) BPO .
b) Product specification.
c) ERP
d) Market analysis
e) JIT .

PART C

(Total marks- 20)

Q-10 Compulsory-

CASE STUDY

M/s MNC Inc is medium scale chemical process company engaged in production of fine chemicals since 1962. Due to recent upward growth , company has added additional facilities of equivalent capacities in existing premises of the company with new technology & equipments. There are now total Seven manufacturing plants compared to old four plants. Procurement of spare parts is done based on indents received from different user plants. Also there is sub-store at all plants besides centralized General Stores.

Mr Suresh Kumar is facing following issues:

- a) increased inventory level of spare parts
- b) Obsolescence of spare parts
- c) Poor response from OEMs
- d) Some of the OEMs are shutdown forever
- e) Increased rate of meeting emergencies
- f) Quality related issues like fitment / interchangeability issues.

Please help Mr Suresh Kumar in resolving following questions raised by him :

1. What organizational changes would you suggest for the spares procurement division?
2. What strategies do you suggest for improving procurement service levels?
3. Which criteria will you include in Vendor Performance Evaluation Rating System?
4. Should purchaser carry out negotiation for all procurement cases? If not, please elaborate the cases where it is desirable to negotiate.
5. Which are your suggestions to reduce procurement lead time?
