



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

**June 2016**

**Date : 11.06.2016**  
**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 6 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** **Total 32 marks**  
**(compulsory- each question carry one mark)**

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

- a) Purchasing means the process of buying
- b) The right price brings the best ultimate value
- c)The skill of negotiation cannot be applied universally
- d) Benchmarking provides a snapshot of the performance of the business
- e) The origin for purchase cycle is indent
- f) Public buying refers to the purchases by Government and semi Government bodies.
- g). P.O. is equated with contract
- h) Out sourcing is always beneficial for the organizations

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

- i) FSN    ii) MRP II    iii) GPS    iv) PSU    v) VMI    vi)VQR    vii) AQL    viii) VE

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

Column “A”	Column “B”
A    ERP	1    Quality of product
B    Dispatch by air	2    GPS
C    Arbitration	3    Comparing with the best
D    Benchmarking	4    Optimum utilization of resources
E    Zero defects	5    ISO-9000
F    Value Engineering	6    Purchase order term
G    Vehicle tracking	7    Systematic method to improve the value of goods
H    Quality Standards	8    AWB

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

- 1) Negotiation is a \_\_\_\_\_ communication process.
- 2) \_\_\_\_\_ can be the assignment of specific tasks to subordinates
- 3) \_\_\_\_\_ contract is for supply of stores at specified rates.
- 4) Market \_\_\_\_\_ is a documented investigation
- 5) \_\_\_\_\_ is most suitable for controlling machinery and spare parts inventory.
- 6) \_\_\_\_\_ is an important part of e-Procurement.
- 7) Material handling is the \_\_\_\_\_, moving & unloading of the materials.
- 8) Objective of purchase is to get best \_\_\_\_\_ for the each rupee spent on purchase.

**PART B**

**48 marks**

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

- Q.5 .What is Ethics? Explain IIMM code of ethics & the ethics to be adopted in purchasing.
- Q.6. As a Purchase Manager, you are negotiating a price for buying major components for your finished product. How will you go ahead for successful negotiation?
- Q.7. What are the practical guidelines for purchasing? Mention any five important terms and conditions of a purchase order and explain their importance.
- Q.8. What are the various types of tendering? Explain the importance of two bid system.
- Q.9. Short Notes: (any four)
- a) Working of DGS&D
  - b) Bench Marking
  - c) Green purchasing
  - d) Value Analysis
  - e) Inventory reviewing Methods

**PART C**

**20 marks**

**Q.10 Compulsory**

M/s Penelop Chemical Inc is chemical manufacturing company having four plants in different part of India. Mr Ram Kumar 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.

Ram 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?

\*\*\*\*\*