

DEC-2010

INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management
Graduate Diploma in Materials Management
Paper 5
PURCHASING MANAGEMENT

Date : 15.12.2010
Time: 10.00 am to 1.00 pm

Max Marks: 100
Duration: 3 hours

Instructions:

1. **PART A** is compulsory. Answer all questions.
 2. From **PART B**, answer any three questions. Each question carries 16 marks.
 3. **PART C** is **Case Study** and is compulsory. Answer the questions reflecting through understanding of the case.
 4. Please read instructions on the answer sheet carefully.
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PART A

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

[Total : 16 Marks]

- 1) Negotiation skills are important in purchasing.
- 2) A closed limited tender is not advertised in news paper.
- 3) Cost comparison between the vendors is made on landed cost basis.
- 4) Strategic planning is influenced by government regulations.
- 5) Energy efficiency is not considered while taking purchasing decision.
- 6) Bulk liquid chemicals are transported in dedicated open trucks.
- 7) Green Purchasing means environment friendly purchase.
- 8) Quantity Discounts are asked for bulk quantity purchases.
- 9) Trade discounts are granted for purpose of protecting a certain channel of distribution.
- 10) Vendor list updating is not required in Purchasing.
- 11) Order must be placed with the lowest price bidder irrespective of other criteria.
- 12) “Transit Risk” and “Freight Charges” are part of purchase order.
- 13) Communication skills are essential for purchaser.
- 14) Internet is useful in purchasing.
- 15) Negotiation should be aimed to have no profit for seller.
- 16) Purchasing is just clerical function.

Q.2 Match the following. (1 Mark each)

[Total : 8 Marks]

(1) BPR	(a) Material identification
(2) Bar Code	(b) Critical Path Method
(3) ERP	(c) Quality
(4) AWB	(d) SAP
(5) Balance sheet	(e) Transit Damage
(6) Insurance claim	(f) Transportation by Air
(7) Project Procurement	(g) Fundamental thinking for improvement
(8) TQM	(h) Assets & liabilities

Q.3 Write the full form of the following. (1 Mark each)

[Total : 8 Marks]

(1) LIFO; (2) RFQ; (3) L/C; (4) B/L; (5) COD; (6) DGS&D; (7) ERP; (8)SCM

PART B
[Total : 48 Marks]

Write any THREE out of the following five questions i.e, Q.4 to Q.9: (16 Marks each)

Q.4 What are the activities, duties and functions of Purchasing Department? How Delegation of Authority plays an important role in purchasing?

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

Q.6 Discuss various types of payment terms. How the payment term affect purchasing decision?

Q.7 Write short notes on : (a) Just-in-Time; (b) Green Purchasing; (c) Supplier partnership in Purchasing.

Q.8 What are the factors that affect purchasing strategy? Discuss in brief about each factor.

Q.9 Expediting for execution of orders is very important in current scenario. Please establish procedure of expediting for medium scale FMCG unit.

PART C
[Total : 20 Marks]

Q.10

Compulsory

CASE STUDY

M/s PAL Inc is medium scale automotive component manufacturing company since 1988. 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 workshops compared to old four plants. Procurement of steel inserts required for metal inserted plastic moulded components is done based on indents received from different workshops. There is procurement team which is responsible for negotiating and getting components at the most reasonable prices. Procurement team as & when required asks for discount from the vendor at the finalization of order. Vendors are always willing to pass on discounts in the range of 3 to 5%. The team does not make any ground work prior to conduction negotiation. They meet together to discuss with vendors without any preparation. Sometimes, they accept the proposal of bulk quantity discount and place order with more quantity than the required.

Mr Shenoy, in charge of all the units faced following issues:

- a) increased inventory level of metal inserts
- b) Non moving stock of inserts for period more than five years
- c) End product is not competitive in market
- d) Quality related issues

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

1. What organizational changes would you suggest for the procurement division?
 2. What strategies do you suggest for improving procurement service levels?
 3. Is the negotiation done by team is correct ? If not, please suggest corrective measures fr the team.
 4. Should purchaser carry out negotiation for all procurement cases? If not, please elaborate the cases where it is desirable to negotiate.
 5. Will JIT approach help the company? Please elaborate, how?
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