

**JUN-2010**

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

**Date : 16.06.2010**  
**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) An import duty is a tax levied on goods leaving the country.
- 3) Cost comparison between the vendors is made on basic price basis.
- 4) Transit time is part of purchase lead time.
- 5) Energy efficiency and quality of product are not considered while taking purchasing decision.
- 6) Bulk liquid chemicals are transported in dedicated open trucks.
- 7) Green Purchasing means environment friendly purchase.
- 8) If purchaser intends to buy for large volumes, he can ask for quantity discount.
- 9) Trade discounts are usually granted for purpose of protecting a certain channel of distribution.
- 10) Internet is not at all useful in purchasing.
- 11) Order must be placed with the lowest price bidder irrespective of other criteria..
- 12) “Transit Risk” and “ Force Majeur” are part of purchase order.
- 13) Communication skills are required in good purchaser.
- 14) Competitive bidding involves inviting selected competing vendors to submit their best offer to clear specification.
- 15) Negotiation should be aimed to “win-win” situation for both the buyer and seller.
- 16) Purchasing Procedures are meant to introduce bureaucracy in the system.

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

**[Total : 8 Marks]**

(1) BPR	(a) Material identification
(2) RFID	(b) PERT & CPM
(3) SAP	(c) Quality
(4) B/L	(d) ERP
(5) Balance sheet	(e) Taxes & Duties
(6) CENVAT/VAT	(f) Sea Route
(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) PR; (2) RFQ; (3) L/C; (4) EOQ; (5) COD; (6) DGS&D; (7) FOB; (8) SCM

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**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 purchasing objectives? How can purchasing be a profit centre?

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

**Q.6** Explain the Purchasing Procedure for a large scale manufacturing company? Please set up Purchasing Department for the same. Please draw Organization Chart for the same.

**Q.7** Elaborate the evaluation and selection procedure of vendors? What is the significance of Vendor's location?

**Q.8** What is negotiation? What are negotiation strategies? What are the qualities of good negotiator?

**Q.9** What is purchase forecasting? What are the concepts used in forecasting? What are the advantages of JIT?

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**PART C**  
**[Total : 20 Marks]**

**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?
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