



Diploma in Retail Management

Paper 4

Purchasing Management

Date: 15.12.2015

Time : 10.00 a.m. to 1.00 p.m.

Max. Marks 100

Duration 3 hours

Instructions

Section A – All Questions are compulsory.

Section B – Answer any 4 Questions. Each question carry 12 marks

Section C – Compulsory Question (Question carry 20 marks)

PART A

(32 marks)

(Compulsory, Each subquestion carry 1 mark).

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

[Total : 16 Marks]

- 1) A limited tender enquiry is not necessarily advertised in news papers.
- 2) Negotiation skills are important in successful Purchase Managers in business.
- 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 by organizations.
- 8) Quantity Discounts are asked for bulk quantity purchases of high value items.
- 9) Trade discounts are granted for purpose of protecting a certain channel of distribution.
- 10) Regular 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 decisions.
- 15) Negotiation should be aimed to have no profit for seller.
- 16) Purchasing has been traditionally just a routine clerical function.

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

[Total : 8 Marks]

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

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

[Total : 8 Marks]

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

PART B

[Total : 48 Marks]

Write any FOUR out of the following six questions i.e, Q.4 to Q.9: (12 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 in business ? 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 the following :

(a) Just-in-Time; (b) Green Purchasing; (c) Product life Cycle

Q.8 What are the various methods of Vendor Rating? Why it is necessary?

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

Q.10 CASE STUDY (Compulsory)

M/s New Age Automobile Manufacturing Company Limited is a 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 molded 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 t 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.

The Materials Manager, 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

You are required to suggest suitable strategy for resolving following questions. :

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 Just In Time approach help the company? Please elaborate, how?
