



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

Dec 2016

Date : 10.12.2016
Time : 10.00 a.m. to 1.00 pm

Max. Marks :100
Duration : 3 Hrs.

Instructions :

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| 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 |
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PART A
(compulsory- each question carry one mark)

Total 32 marks

Q.1 Please state whether the following statements are “True” or “False”(1 mark each) [Total : 12 Marks]

- 1) Purchasing is different from buying.
- 2) Vendor list updating is important in purchasing.
- 3) Quality can be specified in terms of end use
- 4) Negotiation skills are required while purchasing.
- 5) Central Excise duty is an Direct Tax
- 6) Freight is part of Purchase Cost Element.
- 7) Bulk liquid chemicals are transported in open truck.
- 8) Quality and energy efficiency of equipment is not important in purchasing.
- 9) “Force Majeure” forms part of Purchase Contract.
- 10) Import duty is levied on goods leaving a country..
- 11) Purchasing is just clerical function.
- 12) Purchasing objectives should focus on relationship building and quality consistency.

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

[Total : 12 Marks]

Column A	Column B
(1) Dispatch by Air	(a) Transit damages
(2) Six Sigma	(b) Shipment by sea route
(3) Security Deposit	(c) Green buying
(4) B/L	(d) ISO 9000
(5) Quality standards	(e) AWB
(6) Just in time	(f) Contract
(7) Earnest Money	(g) BPR
(8) Eco friendly	(h) Inventory Control
(9) ERP	(i) Tenders
(10) Rate contract	(j) GPS
(11) Insurance Claim	(k) Oracle, BANN, SAP.
(12) Vehicle tracking	(l) Motorola

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

[Total : 8 Marks]

- (1) FSN; (2) EDI (3) L/C; (4) GPS;
(5) RFID; (6) DGS&D; (7);EERP (8) EFT

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 Prepare detailed Terms and Conditions, for purchase of Generator costing.Rs. 20 lacs.

Q.5 A key part of the procurement process is the selection of vendors. What criteria are commonly used in the selection process of vendors? Which criteria should be given the highest priority? Why?

Q.6 What is outsourcing? What are various factors which are considered while deciding on outsourcing?

Q.7 Write short notes on any two

- i) DGS&D
- ii) Code of Ethics for Materials Management
- iii) ERP & SAP
- iv) Purchase Forecasting Techniques

Q.8 What is negotiation? What are negotiation strategies? What are the different types of discounts offered by suppliers? What should be the “Buyer-Seller Relationship”?

Q.9 Discuss the advantages and disadvantages of e-procurement. How internet does help in your procurement process? Please write in brief e-procurement practices in your organization?

PART C

[Total : 20 Marks]

Q.10 CASE STUDY- Compulsory

Pro Health Cosmetics Ltd is manufacturing Fast Moving Consumer Goods having turnover of Rs 500 crores. Mr. Kumar, Purchase Head has been working for 20 years in the company. He is known for his stringency, hard negotiation and wrathless attitude to vendors . The new MD expressed the desired for fast growth of the company and alerted all department heads to pull up their socks to ensure ultimate customer satisfaction to sustain in the competitive market. Under the new MD, the working style has changed from family orientation to professional. Purchase Department has been frequently blamed now for disruption of production due to delay and rejection of materials. Mr. Kumar finds it difficult to convince the MD and neither getting support from suppliers. The MD fired Mr Kumar for his lack of professionalism, leadership and poor systems he built. Practically Mr. Kumar takes every decision. There is no noteworthy executive in the department who can take his position.

Company has been awarded a huge export contract for supply throughout the year. Now it is situation of do or die for Purchase Department.MD has issued warning to Mr. Kumar to ensure smooth supplies.

- 1) What are the problems in the Purchase Department?
- 2) As a Materials Management expert what action plan you will suggest to transform the traditional Purchase Department into a professional Purchase Department?
- 3). Prepare strategy for supplier relationship.
- 4). What support would be required from the MD to transform the Purchase Department?
