



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Logistics & SCM
Post Graduate Diploma in Materials Management - 2 years

PAPER No.13 (enrollment code –CPM, CPS)

PAPER No. 11 (enrollment code- PMM, PSM)

Purchase Management

Dec 2022

Date : 17.12.2022
Time : 10.00 a.m to 1.00 p.m.

Max. Marks : 70
Duration : 3 Hrs.

Instructions:

1. From Part A – answer all questions (compulsory). Each sub questions carries 1 mark. **Total : 20 Marks**
2. From Part B – Answer any 3 questions out of 5 questions. Each question carries 10 marks. **Total :30 Marks**
3. Part C is a case study (compulsory) with questions. Read the case study carefully and answer the questions **Total: 20 Marks**

Part – A

[20 Marks]

(Attempt all questions. Each sub question carries 1 mark.)

Q.1 State whether the following statements are True or false. (Marks 5)

- i) Cancellation of orders by a manufacturing company before delivery on flimsy ground is unethical.
- ii) Purchase department is a profit center.
- iii) MRP is an excellent tool for timings of procurement of nonrecurring items
- iv) The lowest price is generally the right price.
- v) Buying from outside is usually economical than making at home plant

Q.2 Fill in the blanks (Donot reproduce the Statement) : (Marks 5)

- a) British/Brisch system of codification consists of ----- digits of numerical code .
- b) _____ introduced the concept of SRM
- c) Long term purchase commitment for items to be delivered against short term shipping request is called ---
- d) Inside operation cost is to be considered in cost to ----- for make or buy decision
- e) The relationship of buyers & sellers based on-----conduct can only be lasting.

Q.3 Expand the following (5 Marks)

- a)BOM b) SSP c) PSI d)TCP e) VMI

Q.4. Match the following (5 Marks)

Column A		Column B	
Sr no	Description		Description
1	MPS	A	A type of contract
2	Cash purchase	B	Technique to reduce variety
3	Rationalized codification	C	Common delivery term
4	Ex-works	D	Payment terms for sundry purchase
5	Forward buying	E	Plan for production

PART B

[30 marks]

(Attempt any 3. Each question carries 10 marks)

- Q.5 a)** What are the 8R's of Purchasing? Explain in brief **(5 Marks)**
b) Explain the differences between a Contract and Purchase order **(5 Marks)**
- Q.6 a)** How will you differentiate Procurement and Purchasing? Answer briefly with silent points. **(5 Marks)**
b) what are the stages in source selection and source development process . explain briefly **(5 Marks)**
- Q.7 a)** What are the various stages involved in procurement? Explain briefly**(5 Marks)**
b) Explain in brief the various methods for disposal of scrap in a manufacturing company. **(5 Marks)**
- Q.8 a)** Explain the difference between Reverse E auction and Forward E- auction. **(5 Marks)**
b) Explain in brief the four phases of negotiation. **(5 Marks)**
- Q.9** Write short notes on any two **(2 X5=10 marks)**
a) Strategic sourcing b) Outsourcing c) Quality of design d) Cost plus pricing

PART –C

[20 marks]

Q. 10. Case study – Compulsory

Zenith Automobiles Limited is engaged in the manufacture of Automobiles .The company manufactures a wide range of parts, and also buys many parts from external suppliers. One of the parts that it manufactures is part no 101. The monthly requirement of this part is :

1000units and the standard cost for one unit is :

Direct material Rs40

Direct labour Rs20

Variable Manufacturing overhead Rs20

Fixed manufacturing overhead Rs 35.

At a monthly budget meeting, the materials manager suggested that the company could save money if part no 101 were purchased from an outside supplier, willing to supply the quantity required by zenith at Rs 100 per unit. He estimated that if the part is bought from out side, the fixed clerical cost would increase by Rs1500 and the variable handling cost would be Rs 5 per unit. The plant manager reported that if the manufacture of Part No 101 were discontinued, there would be no change in total fixed manufacturing over heads.

Questions

- a) Calculate Material purchase cost for per month for buying
b) Calculate Variable manufacturing cost per month for Making
c) Fixed cost per month for Making.
d) Discuss with facts and figure, if the company should continue manufacturing or buy from out side
