



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

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

Dec 2024

PAPER No. 11 (enrolment code- PMM, PSM, CMM, CSM)

Purchase Management

Date : 20.12.2024
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.)

Q1 Fill in the blanks

(Marks 5)

- a) The _____ system is a ten digit numerical code
- b) A _____ establishes the legal relationship between buyer and seller
- c) Pre-despatch inspection is also called _____ inspection
- d) The perceived worth of a product or service is called it's _____
- e) _____ is sent out to a list of prospective suppliers asking them to quote for a given product or service

Q2 Say True or False

(Marks 5)

- a) MRP-II included data from other departments such as Marketing, Finance & HR
- b) Quality Assurance means recognition and removal of identifiable causes of defects from the set standards
- c) Reverse Auctions are used for purchasing
- d) Demand analysis helps analyse past demand only
- e) A Purchase order helps to keep track of expenses

Q3 Expand the following

(Marks 5)

- a) ASTM b)TQM c)ISO d)DSP e)FAST

Q4 Match the following

(Marks 5)

Column A

Column B

- | | |
|-----------------------------|--|
| a) Decentralised Purchasing | 1.Price that competitors charge |
| b) Rescheduled orders | 2.Qualitative forecasting method |
| c) Quality control | 3.Product in line with customer expectations |
| d) Going rate pricing | 4.Units procure locally |
| e) Delphi Technique | 5.Output of MRP |

PART B
(Attempt any 3. Each question carries 10 marks)

[30 marks]

- Q5 a)** Briefly explain the factors that affect the pricing decision of a product **(Marks 5)**
b) What is value? Explain the various steps in a value analysis process. **(Marks 5)**
- Q 6 a)** Trace the various steps of the procurement cycle in a manufacturing Unit. **(Marks 5)**
b) What is MRP? Explain the inputs to an MRP system. **(Marks 5)**
- Q7 a)** Who is a Materials Manager ? What are his responsibilities in an organisation ? **(Marks 5)**
b) What is inspection? Where does inspections take place in a manufacturing setup? **(Marks 5)**
- Q.8 a)** How is Risk managed in an organisation? **(Marks 5)**
b) What is waste? What are the common methods of disposal of waste ? **(Marks 5)**
- Q. 9 Write short notes on any TWO-(Marks 5x2 =10)**
- | | |
|---------------------------|-------------------------------------|
| a) Centralised Purchasing | b) Supplier relationship Management |
| c) Material Intelligence | d) Law of Agency |

PART –C

[20 marks]

Q. 10. Case study – Compulsory

ABC company is a family owned business, and a leader in the arena of manufacturing agricultural pumps. They have been in business for over 70 years. In 1965, the company set up a foundry to cast pump housings and related items. Their entire supply is taken by the ABC company.

Recently, ABC company appointed a new Purchasing Manager, Ms Natasha, a dynamic lady with impressive qualifications and very cost conscious. Under her leadership, materials cost came down from 60% of the cost of sales to less than 50%, in two years.

Recently a representative from XYZ company came to meet Ms Natasha. He stated that they are manufacturing pumps using the new casting moulding technology, which gives better finish, longer life and much lower prices. He offered to supply the housings at Rs 10000/piece.

Ms Natasha was interested. She sought quotations for the same housing from two other suppliers and received prices of Rs10500 and Rs 12300/piece, landed, from them.

Ms Natasha explained this to the owner of ABC and asked him how much it cost them to produce the housings internally.

The owner was most offended. He refused to part with the information. But his son who was hearing the conversation, later came to her and informed her that the raw material cost alone is Rs 6000. 70% of the total Overheads accounted for taxes, depreciation and salaries. Value addition costs would be in the range of Rs 5000/-

Ms Natasha got down to think about the political, human and cost implications of making or outsourcing the cast housing.

Questions:

- Q1 Why was the owner not ready to outsource the manufacture of cast housing? **(7 marks)**
- Q2. What benefits did Ms Natasha hope to get by outsourcing ? **(7 Marks)**
- Q3. Besides in sourcing and outsourcing, explain any two other strategies of sourcing **(6 Marks)**