



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Logistics & SCM
Post Graduate Diploma in Materials Management - 2 years
PAPER No.11(Enrollment code PGMM, PGSM)

Dec 2025

PURCHASE MANAGEMENT

Date : 20.12.2025
Time : 10.00 a.m to 1.00 p.m.

Max. Marks : 70
Duration : 3 Hrs.

Instructions:

- From Part A – answer all questions (compulsory). Each sub questions carries 1 mark. **Total : 20 Marks**
- From Part B – Answer any 3 questions Out of 5 questions. Each question carries 10 marks. **Total :30 Marks**
- 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

[5 marks]

- Strategic sourcing precedes SRM.
- Purchase order and contract is one and the same.
- There is no difference between warranty & Guarantee.
- In legal terms delivery and supply means the same.
- EMD and Security deposit serves different purpose in any Auction or Tender.

Q.2 Fill in the blanks (Do not reproduce the Statement) : [5 marks]

- For identification of Raw materials, Lubricants and pipe line -----system of codification is used .
- The advance provided by a buyer to the supplier of Capital goods are generally provided against -----
- Quotation from the sole selling agents of the manufacturers belong to the ----- Tendering process.
- Outside operation cost is to be considered in cost to ----- for make or buy decision .
- During the period of falling prices of items ,the buying method used by buyers is popularly called -----

Q.3 Expand the following [5 marks]

- a)CRMI b) BOM c) ACMA d)IEC e) DIN

Q.4. Match the following [5 marks]

Column A		Column B	
Sr no	Description		Description
1	HAWB	A	Disposal of Surplus items
2	Option contract	B	Commercial Instrument used in Sea Cargo transportation
3	FOB	C	A cost reduction Technique
4	VA-VE	D	Speculative buying.
5	Return of standard item to original supplier	E	A commercial document used in Air cargo transportation

PART B**[30 marks]****(Attempt any 3. Each question carries 10 marks)**

- Q.5 a)** What according you are not main 5 R" s of Purchasing. (choose from i) right method of buying ,ii)right packaging & packing iii) right mode of transportation. iv) Right place of delivery. V) Right price. Explain in very brief sentences for all the factors why they are not in main 5R **[5 marks]**
- b)** What according to you are the top 5 factors on which suppliers bargaining strength depends during negotiation. **[5 marks]**
- Q.6 a)** While selecting a supplier for developing manufactured part ,a team generally visits the site of the manufacturing plant .What according to you will be top 5 areas which should be investigated into to establish supplier's capabilities. **[5 marks]**
- b)** What according to you are top 5 Economic and political factors, which influence the market conditions that lead to fluctuation of prices for market sensitive commodities **[5 marks]**
- Q.7 a)** JIT Purchasing is perceived as the activity of pushing inventory onto the suppliers Do you agree with the same forward your justification **[5 marks]**
- b)** What are the top 5 things a supplier want from Buyer. **[5 marks]**
- Q.8 a)** What are the main four situations which generally call for Make or buy investigations in a Manufacturing company **[5 marks]**
- b)** The data collected about the vendors followed by systematic evaluation of their capabilities provide the basis for a preliminary selection of the suppliers. Which considerations are important for narrowing down the scope of choice**[5 marks]**
- Q.9 Write short notes on any two [2X5=10 marks]**
- a) Liquidated damages b) Irrevocable Letter of credit c)CIF
- d) Right of resale e) Certificate of Origin

PART – C (Compulsory)**[20 marks]**

Q.10 You are a purchasing executive of a company .What action you will take for the following situation.

1) Your vendor A has forwarded a quotation of Rs 100 per unit for supplying a manufactured part for monthly supply quantity of 100 nos. On asking , the vendor forwarded following data in support of his quotation.

You want to negotiate with the vendor and interested to arrive at a guide cost so that you can negotiate effectively. The details provided by the vendor are as below: Material cost per piece is 20 Rs , Labour cost 25 Rs per unit, Direct expenses Rs 5 per unit, Factory overhead is 100% of Direct labour, Office and administrative cost of the factory cost, Selling and distribution cost is 5% of production cost & profit margin is 10% of cost of goods sold.

What will be your calculated guide cost based on the vendor supplied data to take the negotiation forward.?

2) Another vendor B has offered an Electrical item for Rs 500 with 20% ,5% off. Further 2% discount is offered for cash payment . **What will be the net price to be paid by you. ?**

3) You are aware of the benefits of Petty cash purchase for emergency purchase of low value critical items. You are required to frame a policy to ascertain that, orders up to what value should be covered by cash purchases. You have following data of your company to determine the same :a) Credit period 2 months b) opportunity cost of money@2% per month c) cash discount@1% d) Variable expenses of each order is Rs 15.

What will be the max value of such purchases.?

4) Another vendor C approached you to make out of turn immediate payment for his invoices in view of his urgent requirement, which are still not due for payment. **Should you entertain such requests? If yes then there should be some discount called Cash discount What cash discount should be demanded for early payment ? Opportunity cost of money is 18% per annum &normal credit period is 45 days.**