



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management- 3 years
Graduate Diploma in Materials Management
PAPER No. 5
Purchasing Management

July 2019

Date : 20.07.2019
Time : 10.00 to 1.00 p.m.

Max. Marks :100
Duration : 3 Hrs.

Instructions :

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**
4. Please read the instructions given in the answer sheet

PART A
(Compulsory- each question carry one mark)

Total 32 marks

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

- 1) Vendor development is not important in purchasing.
- 2) Purchase manager should have thorough knowledge of the product being purchased. .
- 3) Communication skill is not required in negotiation.
- 4) Single tender is advertised in news papers.
- 5) Trade discount is sought for while purchasing directly from manufacturer..
- 6) Right quality and Right cost are important elements of purchasing .
- 7) Security deposit does not form part of Purchase Contract.
- 8) Purchasing is a technical function.
- 9) Freight is not a part of Purchase Cost Element.
- 10) Negotiation should generally be conducted only with L-1 tenderer
- 11) Demand forecasting is not an important part of purchasing
- 12) Purchase of environment friendly items is green purchasing .

Q.2 Match the following:

[Total : 8 Marks]

| Column A | Column B |
|------------------------------------|--------------------------------------|
| (1) Dispatch by domestic air lines | (A) SAP |
| (2) Procurement Contract | (B) Quality |
| (3) TQM | (C) AC Note |
| (4) ERP | (D) Ranging & Scaling of spare parts |
| (5) GPS | (E) Shipment by sea route |
| (6) B/L | (F) Insurance Claim |
| (7) Transit Damages | (G) Arbitration clause |
| (8) Inventory Control | (H) Vehicle Tracking |

Q. 3 Fill in the blanks :

[Total : 4 Marks]

- a. Negotiation _____be conducted with all the tenderers.
- b. Technical tenders are to be opened _____commercial tenders.
- c. Material handling is to be _____as far as possible.
- d. Delegation of power is always _____for effective working of Purchase department..

Q.4 Write the full form of the following. (1 Mark each)

[Total : 8 Marks]

- (1) SAP 2) CIF (3) RFID (4) SRM
- (5) DGS&D (6) JIT (7) GPS (8) BPR

PART B

[Total 48 marks]

Answer any THREE out of the following five questions i.e, Q.5 to Q.9: (16 Marks each)

- Q.5** What are the roles that outsourcing and procurement play in the supply chain? Explain the risks and benefits of outsourcing.
- Q.6** Elaborate the evaluation and selection procedure of vendors. What is the significance of vendor's location?
- Q.7** Discuss the purchase procedures of government departments. Explain the major differences in public and private procurement.
- Q.8** Discuss the advantages and disadvantages of e-procurement. Please write in brief e-procurement practices in your organization.
- Q.9** What is negotiation? Explain the various negotiation strategies and persuasion techniques.

Q.10 Case Study(Compulsory)

M/s ABC Garments India Ltd., was established in 1980 at Mumbai. It is an 100% export oriented unit having a similar unit at Ludhiana. The company manufactures readymade garments and the unit has an employee strength of 600 workers of which 60% constitute women workforce. The garment unit consists of measurement, cutting, stitching, finishing and packaging sections. Most of the processes have been automated recently.

The garment unit at Mumbai is headed by a GM Production, Mr Ashutosh Raghuvanshi, aged about 50 years, a Textile engineer by qualification and training and who has been with the organization since its commencement. He has risen fast to this position by virtue of his capability and hard work. His concern is to maintain the productivity standards of the company while keeping morale of the workers high.

Reduced Profitability

In October 2010, the company saw a decline in the profitability which greatly concerned the top management. A team led by Mr Ashutosh was formed to review the costs under all heads. It was found that overtime cost had increased and the performance of the workers in general shift had declined considerably against the agreed norms and standards. It was realized that laxity in monitoring had led to this state of affairs. The supervisors were pulled up and no punitive action was taken against them. The company had entered into an agreement with the Union about two years back fixing the performance standards of each job profile and deduction of proportionate wages for any shortfall in the performance standards. The norms were set realistically on the basis of the performances achieved by the executive trainees. The shortfall was severe in the stitching section wherein performance declined to an all time low of 73% of the set norms. Most of the workers performance was upto 65% level of the set norms. The problem required immediate attention and the team decided to initiate corrective measures in this section.

Production Improvement

In December 2010, the team decided to deduct proportionate wages for work not done as per the agreement. The recognised union was taken into confidence and apprised about the decision to deduct the wages for the month of March 2011 in case of dip in performance of the staff of the concerned departments. Since April and May fall in the marriage season, this step was taken to put more pressure on the working staffs. The stitching section having 50 workers were chosen for the implementation of this decision.

The management had faced a similar problems in the other unit at Ludhiana in July 2010, wherein the workers had gone on a "go slow" and the management had deducted proportionate wages for the work not done. The union had moved to the court of law and the court had granted a verdict in favour of the company. Gradual improvement were being witnessed in this unit but still had to reach up to the set norms.

The workers of the stitching section agitated against the deduction of the wages, but the management stood by its decision. In addition, they sent two good performers working on simpler machines to a comparatively complex machines, who could achieve 107% of the set performance norms within a span of 45 days.

Seeing the two junior workers performing exceeding well, as their role models, the other workers of the stitching section also began to show improvement in their performance, which in some cases reached at 95% of the set norms.

Mr Ashutosh was feeling at ease on 31st May 2011, assuming that the strategy had worked.

Questions

- (a) Why had productivity declined in ABC Garments India Ltd., ?
- (b) Who was responsible for the problem in this case ?
- (c) Was the strategy adopted by the team led by the GM Production correct ?
- (d) Had you been in Mr. Ashutosh's position, how would have you handled the situation?
- (e) Has the problem been resolved in this case ? Comment.

-X-X-X-X-
