



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

June 2012

Purchasing Management

Date : 09.06.2012

Time : 10.00 a.m. to 1.00 pm

Max. Marks :100

Duration : 3 Hrs.

Instructions :

1. From Part A – answer all questions (compulsory). Each sub questions carries 1 mark.
2. From Part B – Answer any 3 questions out of 5 questions. Each question carries 16 marks.
3. Part C is a case study (compulsory) with questions. Read the case study carefully and answer the questions (5 questions of 4 marks each)
4. Please read the instructions given in the answer sheet

Total : 32 Marks

Total : 48 Marks

Total: 20 Marks

PART A

Q.1 Please state whether the following statements are “True” or “False”. Please do not rewrite the statements while answering in answer book .(1 Mark each)

[Total : 16 Marks]

- 1) Setting up of uniform policies with respect to seller relationship throughout the company is desirable.
- 2) Vendor list updating is important in purchasing.
- 3) Purchase manager should not have thorough knowledge of Customs, taxes & excise duty.
- 4) Negotiation skills are required while purchasing.
- 5) A closed limited tender is advertised in news papers.
- 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) Trade discount is sought for while purchasing directly from manufacturer.
- 11) Purchasing is just clerical function.
- 12) Purchasing objectives should focus on relationship building and quality consistency.
- 13) Transit Insurance is part of purchase order.
- 14) Communication skill is not required in purchasing.
- 15) Strategic planning is influenced by legislation and government regulations.
- 16) Green Purchasing deals with procurement of green vegetables.

Q.2 Write the full form of the following. (1 Mark each)

[Total : 16 Marks]

- | | | | |
|-----------|------------|-----------|-----------|
| (1) EOQ; | (2) CIF; | (3) L/C; | (4) GPS; |
| (5) RFID; | (6) DGS&D; | (7);SCM | (8) JIT; |
| (9) FOB; | (10) TQM; | (11) ERP; | (12) BPR; |
| (13) MRP; | (14) CSR; | (16) LR | |

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** Maximizing the effectiveness of the procurement process is a major goal of an organization. What steps can be taken to help ensure the process is maximized?
- Q.5** A key part of the procurement process is the selection of vendors. What criteria are commonly used in this selection process? Which criteria should be given the highest priority? Why?
- Q.6** Discuss various terms & conditions of a purchase order. List out various payment terms used in domestic procurement.
- Q.7** What are the main elements of ethics code? What should be the qualities of ethical purchaser?
- Q.8** What is negotiation? What are negotiation strategies? What are the potential areas for negotiation in purchasing?
- Q.9** The procurement process can be described in terms of a set of activities that should be used in the purchase of goods. Briefly discuss these activities. How internet does help in your procurement process?

PART C

[Total : 20 Marks]

Q.10

Compulsory

CASE STUDY

ABC Company is located at Bhopal. Its Purchase Department receives Purchase Requisition(PR) from User Department for 50 nos. of 1.5 TR Air Conditioners. Request For Quotations(RFQs) invited from approved vendors A, B, C & D. The Comparison Statement(CS) of all the four offers as per Table 1. After receipt of offers , company revises quantity as 125 Air Conditioners instead of 50 nos.

Vendor	A	B	C	D
Basic Price, INR	22000	20500	28500	45400
Taxes	4% VAT	4% VAT	Inclusive	2% CST against C-form
Excise Duty	Inclusive	Inclusive	Inclusive	Inclusive
Freight	Inclusive	Inclusive	Extra at actuals	20000 lumpsum for entire lot of 200 nos
Installation Charges	1000 per unit extra	1500 per unit extra	Inclusive	Inclusive
Incoterms, FOR	Free Delivery to site	Free Delivery to site	Ex-Mumbai	Ex-Delhi
Warranty	1 Year	1 Year	3 Years	5 Years
Free Services during Warranty period	3	2	4	6
Service Charges for chargeable service	600 per service	750 per service	500 per service	500 per service
Payment Term	100% Advance	COD	30 days from date of invoice	45 days from the date of installation at site
Power Consumption	3 Units	4 Units	2 Units	1.25 Units
Star Rating	Three Star	Two Star	Four Star	Five Star

Answer the following questions:

Q.1 To which vendor will you propose for placement of order?

Q.II. Is negotiation required? If required, how will you conduct negotiation? What will be your negotiation strategy?

Q.III There is a budget constraint for Purchasing. The allotted budget is INR 325000. How will it impact your decision making process?

Q.IV Will you recommend for energy efficient Air Conditioners? If yes, how will your decision help organization in cost saving in expenditure?

Q.V What are your suggestions in designing RFQ for effective decision making for order placement?