



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

June 2018

Date : 09.06.2018

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. **Total : 32 Marks**
2. From Part B – Answer any 3 questions out of 6 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

Total 32 marks

(compulsory- each question carry one mark)

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

- a) Vendor list updating is important in purchasing
- b) Open tender is advertised in newspapers.
- c) The skill of negotiation cannot be applied universally
- d) “Force Majeure” forms part of Purchase Contract
- e) The origin for purchase cycle is indent
- f) Transit Insurance is part of purchase order.
- g). P.O. is equated with contract
- h) Green Purchasing deals with procurement of green items.

Q.2. Give full-form of the following (1 mark each)

- i) VED ii) MRP II iii) CIF iv) ERP v) VMI vi) EOQ vii) AQL viii) GPS

Q. 3. Match the following entries in column A with entries in column B (1 mark each)

| Column “A” | Column “B” |
|-------------------------|-------------------------------------|
| A ERP | 1 Quality |
| B BPR | 2 GPS |
| C CENVAT | 3 Comparing with the best |
| D Benchmarking | 4 Optimum utilization of resources |
| E TQM | 5 JIT |
| F Shipment by sea route | 6 Excise Duty |
| G Vehicle tracking. | 7 B/L |
| H Inventory Control | 8 Change in Process for Improvement |

Q.4 Fill in the blanks (1 mark each)

- 1) Negotiation is process to resolve _____
- 2) Transit Insurance is part of _____
- 3) Rate contract is for supply of stores at fixed rates for a _____ period.
- 4) Marketing is _____ from selling.
- 5) _____ is most suitable for controlling the obsolete inventory.
- 6) _____ is an important part of e-Procurement.
- 7) Green Purchasing helps in saving the _____
- 8) Objective of purchase is to get best _____ for the each rupee spent on purchase.

PART B

48 marks

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

- Q.5 Discuss the various terms & conditions of a purchase order and their importance.
- Q.6 What is negotiation? Discuss the various techniques and strategy for an effective negotiation.
- Q.7 What are the external and internal lead times in purchasing? Discuss how these lead times can be reduced.
- Q.8. What are the various types of tendering? Discuss the two bid system.
- Q.9. Short Notes: (any two) (2 x 8 = 16 marks)
- a) Functions of DGS&D
 - b) Bench Marking
 - c) Ethical purchasing
 - d) Inventory reviewing Methods

PART C

20 marks

Q.10 Compulsory

M/s ABC Chemical Inc is large scale chemical manufacturing company having eight plants in different part of the world. Mr Manish Kumar Chadha is responsible for managing procurement of spares of equipment for all plants. Procurement of spares is done based on PRs from different user plants. There is no centralized planning cell for verifying requirement raised by different users. Also there is sub-store at all plants besides centralized General Stores. Currently there is increased inventory level of spares. Users are also complaining about quality related issues like fitment/interchangeability. There is overall increase of emergency procurement of spares.

Further, there is poor response from the OEMs as some of the OEMs have stopped their operations and most of the equipment's are obsolete.

Please answer the following questions for the above case:

1. What organizational changes would you suggest for the spares procurement?
2. Which criteria will you include in Vendor Performance Evaluation?
3. How will you shorten the lead time of procurement?
4. Will you advise users to buy new equipment immediately where the equipment is obsolete?
