



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Logistics & SCM
Post Graduate Diploma in Materials Management - 2 years
PAPER No.13 (enrollment code –CPM, CPS)
PAPER No. 11 (enrollment code- PMM, PSM)

June 2023

Purchase Management

Date : 16.06.2023
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.)

Q1. Please state whether following statements are 'True' or 'False'. (10 Marks)

- Procurement needs strategic sourcing whereas Purchasing does not require strategy.
- Kodak system was developed by Japanese company at Tokyo.
- Risk Assessment is required to understand likely impact of risk to the organization.
- MRP was initiated by Black Decker.
- JIT was first developed by Taiichi Ohno.
- Single Sampling Plan means sample is selected from the lot at random.
- Esteem value is due to distinctive feature of product.
- All Contracts are Agreements but all Agreements are not contracts.
- An unsound minded person can also become an agent, under the agency act.
- Green procurement increase cost & expenditure.

Q2. Match the following :

(5 Marks)

	Term		Answer
1	Purchasing	A	The approach used in Supply Chain
2	Outsourcing	B	Goods developed internally
3	In-Housing	C	External suppliers of goods
4	Global Sourcing	D	Concerned with the buying needs of Organization
5	Strategic Sourcing	E	Goods from the International Market

Q3. Write full forms of the following:

(5 Marks)

- a) ASTM b)TCP c)TQM d)BOM e)ISF

PART B

[30 marks]

(Attempt any 3. Each question carries 10 marks)

- Q4. (a) What are the risks faced by the Materials Manager? Describe in brief. (5 Marks)
(b) Explain terminology – Risk Analysis, Risk Assessment & Risk Mitigation. Illustrate examples. (5 Marks)
- Q5. (a) Define – Price, Cost & Value & difference among these. (5 Marks)
(b) Explain Negotiation Strategies for effective buying. (5 Marks)
- Q6. (a) What are the objectives of Purchase Management? (5 Marks)
(b) Explain difference between Procurement & Purchasing. (5 Marks)

- Q7.** (a) Describe all 'Quantitative' methods of Forecasting. **(5 Marks)**
(b) Explain 'Top Down Approach' and 'Delphi Technique' **(5 Marks)**
- Q8.** (a) Explain 'Supply Chain Ethics' with examples. **(5 Marks)**
(b) What do you mean by 'Sustainable Procurement'? **(5 Marks)**

PART –C

[20 marks]

Q. 9. Case study – Compulsory

The well-known Sweden-based AKEA was founded by Gvar Kampra in 1948. It had grown to become the largest global furniture retailer. The main objective of AKEA was to offer furniture designs in all the markets which were simple and at reasonable prices. The organization manufactured and designed its own furniture and various items. For AKEA, the maximum supplies were made through an international network of contracted manufacturers. AKEA did not get into the process of manufacturing which, in turn, decided to subcontract its manufactured supplies in different parts of the world. AKEA worked very hard to project itself as an ethical organization and it took extra efforts to ensure that the labour it employed met the international labour regulations and the materials they used were sustainable.

According to forest Stewardship Council, AKEA'S Subsidiary Sweden Wood was using wood from the old trees in the protected regions of Russia's Karelia forests for making furniture.

In January 2015, the Forest Council withdrew its certification from Sweden Wood that was the subsidiary of Swedish furniture retailer, AKEA.

According to the Forest Stewardship council representative, "AKEA's departure from this part of Karelia, with its high concentration of old natural forest, clearly shows that it is not ecologically, socially or economically sustainable to harvest old-growth forest, which is a non-renewable resource.

The major part of the AKEA furniture was made from wood. The Organization sourced Wood from various countries. AKEA was earlier into the business of Cutting down forests and trees on a large scale. AKEA was also using chemicals in the manufacturing of its furniture. Thereafter, when the AKEA furniture products were tested, they were found to be made of particle boards. There was an excessive amount of formaldehyde emissions coming from those boards. This led to a lot of negative publicity for AKEA. But AKEA worked on this problem and eventually decided to revamp organization's image.

AKEA improved on its Procurement methods and started to look positive in its business. This led AKEA to launch the environmental and social standards, 'IWAY'. It was aimed at procuring goods only from suppliers that don't harm the environment. In 2000, 'IWAY' was used by AKEA to minimize the negative impact of its activities on society and the environment and simultaneously work on improving its operations and processes.

AKEA started using used renewable and recycled raw materials. It took a lot of pain to take care in maintaining the appearance and the functionality of products. The design team of the organization took care of many aspects of the product in term of quality, price, material, functions, and various other functional and technical aspects before working on the product. AKEA made sure that the products were free from chemical substances that caused allergies or were harmful to health and the environment.

QUESTIONS:

1. What was the main objective of AKEA?
2. What were the business practices of AKEA?
3. Why did Forest Stewardship Council (FSC) withdraw their Certifications to Swedwood Forest?
4. What were the problems faced by AKEA?
5. How was AKEA able to solve the problems internationally?