



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

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

June 2025

Purchase Management

Date : 20.06.2025

Time : 10.00 a.m to 1.00 p.m

Max. Marks: 70

Duration : 3 Hrs.

Instructions:

1. From Part A, contains 4 main questions (with 5 sub-questions) each question carries 1 mark Total of 20 marks
2. From part B answer any 3 questions out of 5 questions. Each question carries 10 marks – Total of 30 marks
3. Part C is a case study (compulsory) with questions. Read the case study carefully and answer the questions **Total: 20 Marks**
4. Use of standard calculator is permitted.

PART – A

[20 marks]

(Compulsory- each sub-question carries one mark)

Q1. Please state whether following statements are ‘True’ or ‘False’. (5 Marks)

- i. Surplus indicates faulty forecasting or planning
- ii. Supplier base diversification increases risk of non-supply
- iii. Procurement and Purchasing can be used interchangeably
- iv. Kodak system has a 8 digit alpha numeric code
- v. All Contracts are Agreements but all Agreements are not contracts.

Q.2 Fill in the blanks (5 Marks)

- (i) Scrap that is pre-determined in manufacturing processes is called _____ scrap
- (ii) An MRP system which includes data from Finance, Production, Marketing, HR is called _____
- (iii) A material whose properties change with the change in environment is called _____ material
- (iv) When quantities and delivery times are not clearly stated in a Purchase order, it is called a _____ purchase order
- (v) Fixing the price that competitors charge is called _____ pricing

Q3. Match the following:

(5 Marks)

| Column A | | Column B | |
|-----------------|-----------------------|-----------------|--|
| 1 | Risk Assessment | A | Monitoring variables which affect the quality of a product |
| 2 | Classification | B | Faulty forecasting and buying |
| 3 | Surplus items | C | Grouping materials according to their uses |
| 4 | Inventory Status file | D | Consequences of risk |
| 5 | Quality control | E | MRP input |

Q4. Write full forms of the following:

(5 Marks)

a) JIT b) TQM c) WIP d) ROI e) SDC

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

Q.5. (a) What is Negotiation? Explain any TWO strategies firms adopt while negotiating **(5 Marks)**
(b) Compare and contrast the activities "Procurement" and "Purchasing" **(5 Marks)**

Q.6. (a) "JIT helps in decreasing the WIP and inventories in the system" What is JIT? Explain? **(5 Marks)**

(b) Do external factors influence the price of a product? If yes, list 5 instances **(5 Marks)**

Q.7. (a) "Insourcing is often seen as an alternative to outsourcing". What aspects should company keep in mind when they need to decide between insourcing and outsourcing? **(5 Marks)**

(b) What is the difference between a Purchase Order and Invoice **(5 Marks)**

Q.8. (a) What is Materials Research and how does it help a firm? **(5 Marks)**
(b) Will the method of sampling in a pencil making firm be same as a firm which makes fighter jet fuselage parts? What method will you use for pencil making firm? Explain any two methods of sampling **(5 Marks)**

Q.9. (a) Write short notes on any TWO - **(2x 5= 10 marks)**

| | |
|---|---------------------------|
| (i) MRP outputs | (ii) Intelligent material |
| (iii) Decentralized Purchasing Organization | (iv) Lease v/s Buy |

PART -C**[20 marks]****Q. 10. Case study – Compulsory**

Panditji is a hotelier, who has been running 4 restaurants in Mumbai city. All the 4 units are decentralized, the only thing common amongst them being their menu. Panditji has strict control over the quality, personally making the spices at each outlet using the raw materials that are purchased there. Last year, he crossed Rs 30 crores as annual sales revenue.

Panditji has a son who has recently completed MBA from a Premier Institute and is now taking over the running of the hotels. He did a quick evaluation of the supply Management system. Some of his observations were as follows –

Procurement at the four is decentralized, there is no strategic planning process, hence there was no unified purchasing strategy in the four units. All the four Heads of the Units had balloon sized egos – there was no uniformity in understanding of cost of purchased goods and services, incoming quality, Quality Assurance, inventory systems, supplier diversity or supplier ratings, technology usage etc.

The son called for a meeting with the Heads of all the four units and after the initial introductions, gave them the following points to ponder –

1. Concept of Inventories
2. To reduce purchase cost by 10%
3. Develop a quality program which starts from developing clear specifications for procurement
4. Supplier rating and selection process
5. Value analysis and value engineering
6. Pricing strategies and Price forecasting
7. Shelf life

The meeting is still going on

Questions:

Q1. Should the son suggest centralized Purchasing for all the items? Please suggest **(5 Marks)**

Q2 Explain the steps in strategic sourcing **(5 Marks)**

Q3. The son needs to talk about supplier relationship Management in the meeting. Please write a few lines for him **(5 Marks)**

Q4. Suggest Three value analysis ideas in Purchase activity **(5 Marks)**