



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Logistics & SCM
Post Graduate Diploma in Materials Management - 2 years
PAPER No. 12(enrolment code- PMM,PSM,CMM,CSM)

JUNE 2025

Inventory Management

Date : 21.06.2025
Time : 10.00 a.m to 1.00 p.m.

Max. Marks : 70
Duration : 3 Hrs.

Instructions:

1. From Part A – answer all questions (compulsory). Each sub questions carries 1 mark. **Total : 20 Marks**
2. From Part B – Answer any 3 questions out of 5 questions. Each question carries 10 marks. **Total : 30 Marks**
3. 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.)

Q.1. State True or False (Do not reproduce the statement)

[5 marks]

- i) Inventory facilitates balancing of demand and supply in Supply Chain.
- ii) JIT help to reduce Working Capital Cost.
- iii) Higher Inventory Turnover can increase ROI
- iv) LIFO Method is suitable for the trend of rising prices in the market.
- v) Period Review System needs constant monitoring of stocks.

Q. 2. Fill in the blanks. (Do not reproduce the statement)

[5 marks]

- a) FSN Classification is based on _____
- b) ABC Analysis is based on _____ law/rule
- c) _____ Cycle Optimization help to lower inventory costs.
- d) _____ Methods of Forecasting are used when there is adequate data.
- e) _____ is the inventory that has not been sold/consumed and resulting in loss of revenue.

Q.3. Expand the following:

[5 marks]

- a) ITR b) EDI c) RFID d) SIT e) MIS

Q. 4. Match the following (re write the correct pair)

[5 marks]

Column A		Column B	
Sl. No.	Description	Description	
1.	EOQ	A	BOM
2.	MRP	B	Spare parts
3.	VED	C	Safety
4.	Grass root	D	Low Inventory Costs
5.	MSDS	E	Forecasting

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

Q.5 a) Define inventory? Why you keep inventory? b) How you will turn Inventory Management into a Profit Centre?	[5 marks] [5 marks]
Q.6a) What factors influence WIP? How it can be controlled? b)What are rules of forecasting? What are limitations of forecasting?	[5 marks] [5 marks]
Q.7 a) Explain how MRP Works. What are output of MRP? b) What factors determines FG inventory?	[5 marks] [5 marks]
Q.8 a) What is negative stock? What are its causes? How it can be avoided? b) What are different inventory costs?.	[5 marks] [5 marks]

Q. 9 Write short notes on any two **[2 x 5 = 10 marks]**

- a) Types of inventories.
- b) Reverse Logistics
- c) VMI
- d) JIT
- e) Shrinkage of Inventory

PART – C*(Compulsory)***[20 marks]**

Q. 10. Excel Electricals Ltd has average total inventory of Rs 100 lacs. Places 5000 orders every year. Its Annual requirement of a item is 20,000. Unit Cost is Rs 10.00. The other details provided are as under. Supplier offers 5% discount if order quantity is 2000.(show proper working)

Purchase department expenditure	Rs 1,80,000
Stores, Warehouse Personnel salary	Rs 2,10,000
Obsolesce, spoilage etc	Rs 50,000
Floor space charges for Stores dept	Rs 1,40,000
Cost of Collecting Material	Rs 50,000
Cost of Receiving Material	Rs 45,000
Cost of Inspection	Rs 50,000
Cost of Material Handling for warehouse	Rs 1,50,000
Cost of Bill payment	Rs 75,000
Interest	12.00%
Insurance charges	2%

calculate

- a)** Work out Ordering Cost per order (3 marks)
- b)** Work out Inventory Carrying Cost (3 marks)
- c)** Find out EOQ (4 marks)
- d)** Show saving in Ordering Cost (3 marks)
- e)** Show increase in ICC (4 marks)
- f)** Should Buyer accept discount offer of 5%. (3 marks)