



INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management - 2 years
Post Graduate Diploma in Supply Chain Management & L

March 2020

PAPER No. 13
Purchase Management

Date : 02.03.2020

Time : 10.00 am to 1.00 p.m

Instructions :

Max. Marks : 100

Duration : 3 Hrs.

1. From Part A – answer all questions (compulsory). Each sub questions carries 1 mark.
2. From Part B – Answer any 3 questions . Each question carries 20 marks.
3. Part C is a case study (compulsory) with questions. Read the case study carefully and answer the questions
4. Please read the instructions given in the answer sheet

Total : 20 Marks

Total : 60 Marks

Total: 20 Marks

PART A
(Compulsory- each question carry one mark)

Total 20 marks

Q.1 Please state whether the following statements are “True” or “False”. [5 marks]

- 1) Quotation gives estimated cost of goods and services
- 2) Kodak system of codification consists of seven digit numerical code.
- 3) Material Requirement Planning was initiated by IBM engineer in 1971.
- 4) Codification of items leads to variety reduction
- 5) Scrap is separated according to the quality and metallic contents of the items .

Q.2 Match the following:

[5 marks]

Column A	Column B
(1) MRP	(A) A part of Supply Chain Management
(2) Purchasing department	(B) Receiving goods only when they need
(3) JIT	(C) Possess self-adjusting capabilities
(4) Purchase management	(D) Backbone of an organization
(5) Bio-materials	(E) Reduces inventory levels

Q. 3. Fill in the blanks:

[5 marks]

- a. Sensor is a device that detects _____
- b. _____ is the process of buying goods in excess to offset a future increase in prices.
- c. _____ is the prediction of future prices.
- d. _____ identifies the ways of improving the performance of a product or service.
- e. An invoice is the official document generated by the supplier for soliciting payment from the _____ in returns of the goods supplied

Q.4 Write the full form of the following. (1 Mark each)

[5 marks]

- (1) OEM (2) DGS&D. (3) SRM (4) DSP (5) TCP.

PART B

[Total 60 marks]

(Answer any three out of the following five questions: 20 Marks each)

- Q.5** Explain the objectives and strategies of negotiation. [20 marks]
- Q.6** Describe the various types of purchase orders and important information included in them. [20 marks]
- Q.7** a. Discuss the objectives of material requirement planning. [10 marks]
b. Explain the risks faced by purchase manager. [10 marks]
- Q.8** a. Discuss the concept of materials research. [10 marks]
b. Describe in the process of value analysis. [10 marks]
- Q.9** Write short notes on any four: [4 x 5 =20 marks]
- | | |
|-----------------------------|--|
| a. Codification | b. Disposal of scrap and surplus materials |
| c. Global Sourcing | d. E-auction |
| e. Total Quality Management | f. Procurement Planning and forecasting |

PART C

[Total: 20 Marks]

Q.10 CASE STUDY- Compulsory

The purchase department of M/S Best Cosmetics used a Master Production Schedule (MPS) to coordinate jobs as well as generate material & supply orders through its Manufacturing Resource Planning System (MRP). Updates to the MPS resulted in the MRP advancing, delaying or canceling any number of planned purchases. In addition, the inordinate delays in development of new designs and short notices given to arrange the supplies complicated the matters further.

Recent reports indicated that the procurement system had problems. The system relied upon an order forecasting method to anticipate supply requirements and avoid stock outs. Inaccurate forecasts forced buyers to cancel orders or return supplies of some items to prevent excessive inventories. Even when forecasts were correct, the long lead-times on some supply items resulted in stock outs. The prolonged New Design Developments and shorter lead-times given for procurements made these problems worse. In some cases, small order sizes as well as limited storage space at the Job-Workers complicated the matter further.

In light of- these and other problems, the Management had initiated a number of programs to improve the purchasing operations and profitability. These programs covered a number of areas including cost reduction, vendor development, ordering and buying policy review and lead-time reduction. Despite these efforts, Best Cosmetics needed to ensure that the materials were available to support ongoing changes. The Purchase Manager needed to identify some alternatives to improve supply/material availability.

Questions:-

1. State the immediate steps to be taken by the purchasing management to solve the problems.
2. How would you improve the purchasing system? Give your suggestions.
3. What Modern Techniques/Tools would you suggest to improve the efficiency of Purchase Department and why?
4. Give an overview of the case.
