



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

June 2015

Date : 13.06.2015
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 5 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 (8 marks)

- a) A central purchasing organization is not assigned to a company code.
- b) Procurement has larger scope than purchasing.
- c) Vendor code is used for knowing the performance of vendor only.
- d) Cost comparison among vendors is done on landed cost basis.
- e) ERP is not very effective tool for right purchasing.
- f). P.O. is equated with contract.
- g) Out sourcing is always beneficial for the organizations.
- h).Vendor rationalization is one of the best ways to retain only performing vendors.

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

- | | | | |
|--------|------------|----------|-----------|
| i) MRO | ii) MRP II | iii) EFT | iv) ITB |
| v) BPO | vi) CBEC | vii) VM | viii) VQR |

Q.3. Match the following entries in column A with entries in column B (8 marks)

| Column “A” | Column “B” |
|-------------------------------|---|
| A ERP | 1 Quality of product |
| B Right Source | 2 To minimize risk |
| C The differing time horizons | 3 Comparing with the best |
| D Benchmarking | 4 Optimum utilization of resources |
| E Zero defects | 5 Levies on manufacturing |
| F Value Engineering | 6 Demand forecasting |
| G Hedging | 7 Systematic method to improve the value of goods |
| H Excise | 8 7 R mantra |

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

- 1) Purchase order is a ----- document,
- 2) Delegation of ----- is always good for effective working of Purchase department in any company.
- 3) Cross functional team is a group of ----- from various functional areas.
- 4) Objective of purchase is to get best ----- for the each rupee spent on purchase.
- 5) In learning curve, ----- should decline with each succeeding unit produced.
- 6) BPO is a form of ----- that involves the contracting of the operations.
- 7) Material handling is the -----, moving & unloading of the materials.
- 8) Forward buying is the ----- of committing to a future purchase before the product/services is actually needed.

PART – B

3 x 16 = 48 marks

(Answer any three. Each question carries 16 marks)

Q.5.a) You are heading Purchase department in an electronics company & you have to prepare the Purchase budget for 2015-16. What steps you will take to do the same?

b) Define difference between Ethics & Law. Explain "IIMM code of ethics.

Q.6. As a Purchase Manager, you are negotiating a price for buying major components for your finished product. How you will do the price- cost analysis.

Q.7 Purchase Manager can play very important role in cost reduction. Explain it with suitable examples from your organization?

Q.8.a) Explain the QCD concept.

b) How to reduce lead time.

Q.9. Short Notes: (any four)

- a) Working of DGS&D
- b) PSUs
- c) CVC
- d) BPO
- e) Purchasing methods
- f) Value Management

PART – C
COMPULSORY

20 marks

Q.10. Case Study:

MNO Ltd is a multinational company having its head office overseas and engaged in the field of health care products having three manufacturing units in India. Although company is having number of vendors on their vendor list, yet supply of quality materials rarely on time. This is stopping production line frequently. Back log of orders are increasing with every passing day. Customers are not happy with erratic supplies. Due to inadequate systems, poor visibility and other reasons, inventories are very high for the materials which are not required for the time being.

Mr X is appointed Head Purchase & assigned the task for streamlining the purchase operations & ensure uninterrupted supplies of the required materials. Company is looking for re engineering the total process to take care of above problems. Please help Mr X & suggest ways to improve the following:-

Answer the following questions:

- a) How to ensure uninterrupted supplies of required quality materials on time?
- b) How to build a strong base of responsive vendors?
- c) How to improve the quality of components?
- d) How to generate an effective communication & coordination system among all the three units & vendors for effective working?
