

INDIAN INSTITUTE OF MATERIALS MANAGEMENT
Post Graduate Diploma in Materials Management
Graduate Diploma in Materials Management

Paper – 10 (New) & Paper-9 (Old) - Common
INVENTORY MANAGEMENT

Date: 09.06.2008

Time: 10:00 A.M to 1:00 P.M

Max. Marks: 100

Duration: 03 Hrs.

INSTRUCTIONS:-

1. From Part 'A', answer all questions (compulsory) each.
Sub – question carries 01 mark Total Marks 32
 2. From Part 'B', answer 03 questions out of 05 questions.
Each question carries 16 marks Total Marks 48
 3. Part 'C' is a case study with 05 Sub – questions Total Marks 20
 4. Use of the Calculator can be used wherever necessary.
 5. Graph sheet can be used wherever necessary.
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PART – A

Q.A. (1) **The followings are objective type questions. Indicate the correct answer from among the choices viz a or b or c.**

- 1.1 CCPS Stands for: -
 - a) Chief controller of Purchase and store.
 - b) Chief controller of planning and sales.
 - c) Both of them.
- 1.2 Expenditure on materials forms _____ percentage:-
 - a) 70%
 - b) 80%
 - c) None of them
- 1.3 Activity based costing is for the planning and control of: -
 - a) Warehousing Activities
 - b) Inventory Control
 - c) Both of them.
- 1.4 Which one of these is ten digit codification systems: -
 - a) Bar Coding
 - b) Brisch System
 - c) Kodak System
- 1.5 Items which have moved at least once in a period of 2 years are known as: -
 - a) Non moving
 - b) Slow moving
 - c) Both of them
- 1.6 In a graphic representative of EOQ, the total cost is _____ near the minimum:-
 - a) Curved
 - b) Flat
 - c) None of these.
- 1.7 The ratio of the number of times demands are met to number of times demands are made, is called:-
 - a) Service Level
 - b) Minimum Level
 - c) Maximum Level
- 1.8 A level at which stocks are just sufficient to meet demands during one normal lead time resulting in stock – out, is known as: -
 - a) Re-order Level
 - b) Danger Level
 - c) Safety Stock

Q.A. (2) **STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE: -**

- 2.1 Production Plans need not to flow from Business Plan.
- 2.2 DRP – II is an extension of distribution Requirement Planning.

- 2.3 A Philosophy based on the principle of getting the right materials to the right place at the right time is called JIT.
- 2.4 There are three types of Kanban Cards – “Move”, “Production” and “Signboard” cards.
- 2.5 The importance of WIP is a function of two factors – Products and Process.
- 2.6 Every inventory Control measures starts with a focus on costs.
- 2.7 FIFO (Highest in First Out) is one of the inventory valuation systems.
- 2.8 Stock In Trade and finished Goods are not the same.

- Q.A. (3) **Fill in the blanks: -**
- 3.1 Logistic Management extended the flow of _____ to the outside world.
 - 3.2 _____ are the replacement parts required for maintaining all the plants and machinery.
 - 3.3 The ultimate aim of Inventory Control is to have as small an _____ as possible.
 - 3.4 Selective inventory _____ can indicate where the Manager should concentrate his efforts.
 - 3.5 EOQ can be adopted to calculate optimal _____ size.
 - 3.6 Safety stock is viewed as a _____ line of defence.
 - 3.7 The stock out level is also called _____ zone.
 - 3.8 Material requirement forecasts for more than three years are called _____ term forecasts.

Q.A. (4) **Match Column “A” with column “B”.**

A	B
a) Excess over requirement	1) Buffer Stock
b) Maintenance Spares	2) A model for comparison
c) Safety Stock	3) Codification System
d) Raw Material	4) Pareto’s Law
e) Standard	5) Consumption Rate
f) Bar Coding	6) Redundant / Surplus
g) A.B.C.	7) Items awaiting processing
h) CR	8) Fast moving Spares

PART – B

- **Answer any three questions from the followings: -**
- Q.5 A) What is Raw Material? What are its two important factors? Describe.
B) Describe bought out components. What factors influence the decisions for bought out components?
 - Q.6 A) What are (KU) and (KO). Describe them in brief.
B) What are elements of ordering costs? How will you workout-ordering cost per order when you release 5000 orders a year with total ordering cost of Rs. 400000.
 - Q.7 A) What is Safety Stock? List out the various factors influencing the safety stock.
B) Define Service Level? How does it help in determining the Safety Stock? Explain with example.
 - Q.8 A) What is forecast? List out different types of forecasts.
Why is forecast needed?
B) Describe in brief dependent demands and independent Demands.

Q.9 Write Short notes on any 4 out of the followings: -

- A) Inventory with Supplier
- B) Inventory carrying cost.
- C) FSN Classification
- D) Other uses of EOQ.
- E) Inventory Control through Stock – Levels.
- F) Scrap / Surplus and its disposal.
- G) Overhauling Spares
- H) Role of computers in Inventory Management.

PART – C

CASE STUDY (COMPULSORY) WITH 05 Sub – question

M/s ABC is a car manufacturing company. They have a distribution system for marketing of finished goods as follows:-

- A. Finished goods are sent to Central warehouse near the factory.
- B. From here, the finished goods (cars) are sent by road to seven Regional warehouses located at important centers in the country.
- C. Besides above two types of warehouses, there were 27 depots from where the cars are sent to different stockiest for sale.

Due to severe market competition and restrictions on bank credit, the Top Management of M/s ABC appointed an expert committee to streamline the distribution system, The committee found followings :-

- 1. Central warehouse, 7 Regional warehouse and 27 Depots together have finished stock (cars) equal to 105 days all India sales.
- 2. The Marketing Manager has no time to check the Finished Goods Stock as he is busy with marketing functions.
- 3. There are several cars which are lying for more than 2 years due to availability of new better models.
- 4. There was lack of controlling and supervising norms for monitoring the stock positions and taking corrective actions. Indents for new cars were sent without checking of stocks.

Apart from other things, the committee advised to put the finished Goods warehousing under Materials Management deptt. and advised a finished goods stock (Cars) equal to 48 days all India sales stock as ideal stock level in all the warehouses and depots together.

M/s ABC Management has appointed you as Materials Manager to complete the above tasks. How will you proceed? The questions are:-

- 1. Will you review the existing numbers of warehouses and depots for reduction? If so, why?
- 2. How will you find slow moving and non-moving stock of cars? What methodology will you suggest to dispose off such cars?
- 3. What shall be your methods for monitoring and controlling of finished Goods (car) to avoid accumulation of unsold stocks in future?
- 4. Will you retain Central warehouse and why?
- 5. What will be your distribution pattern for keeping stocks in central warehouse/Regional warehouse and Depots equal to the norms of 48 days All India Sales stock level?

_____ x _____