

INDIAN INSTITUTE OF MATERIALS MANAGEMENT  
POST GRADUATE DIPLOMA IN MATERIALS MANAGEMENT  
GRADUATE DIPLOMA IN MATERIALS MANAGEMENT

PAPER 5 (Old&New)  
PURCHASING MANAGEMENT

Date : 12.12.2008

Time : 10.00A.M to 1.00 P.M.

Max Marks: 100

Duration : 3 hours

Instructions:

1. PART A is compulsory. Answer all questions. Total Marks : 32
2. From PART B, answer any three questions out of 5 questions. Each question carries 16 marks. Total Marks : 48
3. PART C is Case Study and is compulsory. Answer the questions reflecting through understanding of the case. Total Marks : 20
4. Please read the instructions on the answer sheet carefully.

**PART A**

Q.1.(A) Write the full form of the following : ( 1 Mark Each)

- |          |          |          |          |             |
|----------|----------|----------|----------|-------------|
| 1. ERP;  | 2. JIT;  | 3. RFQ;  | 4. MRP;  | 5. DGS & D; |
| 6. BPR;  | 7. ISO;  | 8. TQM;  | 9. C&F;  | 10. LR;     |
| 11. BIS; | 12. FOR; | 13. CSR; | 14. SCM; | 15. MSDS;   |
| 16. SEZ  |          |          |          |             |

Q1.(B) State whether the statement is 'TRUE' or 'FALSE': ( 1 Mark Each)

1. While purchasing any equipment purchaser should not consider "Energy Efficiency" of the equipment.
2. Transit Insurance is part of purchase order.
3. One of the qualities of purchaser is good negotiator.
4. Place of jurisdiction in case of any dispute is part of purchase order.
5. Cost comparison between the vendors is made on landed cost basis.
6. Communication is not the required skill in purchasing.
7. Information Technology does not help purchasing in any manner.
8. Bulk liquid chemicals can be transported in dedicated road tankers.

Q.1.(C) Write in brief(Any FOUR): (2 Marks Each)

1. Types of tenders;
2. Negotiation;
3. Hedging;
4. Outsourcing;
5. Purchase Budget;
6. Penalty Clause;
7. Performance Bank Guarantee

**PART B**

- Q.2. What are purchasing objectives? Please discuss the importance and scope of purchasing function and its impact on competitiveness. How will you achieve reduction in purchase cycle time?
- Q.3 What are the types of Purchasing Organization? Please explain in brief Purchasing Organization of your company / institution. Write in brief Purchase Procedure
- Q.4 What are the main elements of ethics code? What should be the qualities of ethical purchaser?
- Q.6 What is source management and development? Elaborate the evaluation and selection procedure of vendors. Explain role of purchasing in developing alternate materials?

- Q.6** Kindly evaluate purchasing function of your organization. Please explain need of evaluating purchasing function. What are the objectives you would like to evaluate? What is bench marking?

**PART C**  
**CASE STUDY**

- Q.7** Please answer the questions related to the following case:

PQR Ltd is medium scale manufacturing unit engaged in the field of industrial valves and located in three places- Nasik, Bangalore and Rudrapur. The procurement activity is mainly divided in four sections: (a) Raw Materials (b) Machinery and Spare parts (c) Outsourcing of components as per drawing (d) Consumables, Packaging materials, Administration and other miscellaneous items.

The company has their own foundry, forging and machining shops in-house capable of manufacturing their entire range of valves. However, many of the procurement decisions are taken for outsourcing the various components as per need.

Currently the company has appointed a consultant having varied experience in executing Supply Chain Management assignments mainly in Chemical Processing Industry. The consultant has got this assignment for the first time for any manufacturing industry.

Consultant initially made following observations and the same were brought to the notice of management by presentation given in presence of Mr Badri Prasad, Purchase Head of the company.

The observations are:

1. Use of computerization is in piecemeal basis leading to lot of manual efforts required to get the data.
2. Traceability of stored items and files is very poor leading to lot of inconvenience when the same are really required.
3. Rush and urgent purchases are much more. Purchase Head is working always on his toes.
4. Inventory of spare parts and outsourced components is very high compared to sales turnover.
5. The list of non-moving items is very big and consisting of huge amount.
6. Time taken for placement of order from the date of purchase requisition is very high.
7. There is lack of co-ordination between user department and materials management department.

The consultant proposed to carry out benchmarking study with global standards and to act for corrective actions to enhance purchasing efficiency to achieve goal of low cost manufacturing and enhanced profitability of the company.

Mr Badri Prasad will be required to finish the assignments as proposed by the consultant. Please visualize and elaborate in detail the likely assignments to be given to Mr Badri Prasad. What difference will make to Mr Badri Prasad's current working on routine basis? What is your opinion about implementation of assignments given by consultant in achieving organizational goals?