



INDIAN INSTITUTE OF MATERIALS MANAGEMENT

Post Graduate Diploma in Materials Management

Graduate Diploma in Materials Management

June 2011

PAPER No. 5

Purchasing Management

Date : 11.06.2011

Max. Marks :100

Time : 11.00 a.m. to 1.00 pm

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 sub-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
(5 questions of 4 marks each) **Total: 20 Marks**
 4. Please read the instructions given in the answer sheet
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Q.1. True or False:

- a) Purchasing means the process of buying
- b) The right price brings the best ultimate value.
- c)The skill of negotiation can not be applied universally.
- d) Benchmarking provides a snapshot of the performance of the business.
- e)Make or buy decisions are particularly important in the development of new products.
- f) The origin for purchase cycle is indent.
- g) Public buying refers to the purchases by Government and semi Government bodies.
- h)Value management aims for maximizing overall performance

Q.2. Give full-form of the following.

- | | | | | | |
|---------|----------|----------|--------|-------|--------|
| i) CPM | ii) NAEB | iii) VQR | iv) VE | v) PR | vi)RFQ |
| vii)RFP | vii)RFI | | | | |

Q.3. Define in Brief (Any four)

- a)Material handling .
- b)Customs.
- c)Rating
- d)BPO
- e)Local Buying

Q.4 Fill in the blanks

- 1)_____is the vital thing in any organization.
- 2)_____ can be the assignment of specific tasks to subordinates.
- 3)Government owned corporation are called as _____sector_____
- 4) _____ contract is for supply of stores at specified rates.
- 5)Market_____ is a documented investigation.
- 6)Negotiation is a _____ communication process.
- 7) Shift/ share analysis is a technique to examine the sources of _____ growth or decline.

PART – B

Q.5. a)How purchasing executive is custodian of his firms purse?

b) Explain the “Golden Rule of 7R’s”?

Q.6. a) what are the practical guidelines for purchasing?

b) Write down Different purchasing methods?

Q.7.a)What are the tasks of materials management?

b) What do you mean by vendor development?

Q.8.What is benchmarking? & Discuss the 12 stages methodology of benchmarking?

Q.9. Short Notes: any 4

- a)Right service .
- b)De-centralised Organisation.
- c) Goals & objectives of purchasing.
- d) Ethics .
- e) Learning curve .
- f) Value Analysis .

PART - C

Q.10. Case Study:

Sakshi garments Ltd. Was established in 1975 at Chennai .it is a 100% export oriented unit having a similar unit at Dehradun. The company manufactures readymade garments and the garments unit employed 500 workers. The garment unit consists of measurement,cutting, stitching , finishing and packaging sections. Most of the processes have been automated in recent years.

The garment unit is headed by vice president A.K. Ghosh aged 45 years, an engineer by training who has been with the company since its establishment. He has risen fast to this position by virtue of his capability and hard work. His concern is to maintain the productivity standards of the company while keeping morale of the workers high.

In December 1996 the company saw a decline in the profitability .which was reviewed by Mr. Ghosh . he found that overtime cost had increased due to less productivity of workers which have not been noticed by supervisors. So management had entered into an agreement with the recognized union for fixing performance standards & deduction of wages if any shortfall.it was mainly from stitching section only around 60-65% performance. So management team decided to take corrective action.

In Feb1997 team decided to deduct proportionate wages for work not done as per std. performance.stitching section workers agitated against the deduction of wages.as a trial 2 workers have been sent on comparatively complex machine who achieved 107 % of the set performance norms within 45 days.

Thus seeing the two junior workers as a role models, other workers also begun to show improvement in their performance around 96% of set norms.

Mr. Ghosh was feeling at ease on may 1997, assuming that the strategy has worked.

Questions:

Q-1) Why had performance declined in the company?

2) Who was responsible for the problem?

3) Had you been in Ghosh's position , how would have you handled the situation?

4) Has the problem been resolved in the case? Comment.