



**INDIAN INSTITUTE OF MATERIALS MANAGEMENT**  
**Post Graduate Diploma in Materials Management**  
**Graduate Diploma in Materials Management**  
**PAPER No. 5**

**Dec 2013**

**Purchasing Management**

**Date : 14.12.2013**

**Max. Marks :100**

**Time : 10.00 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 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

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**PART A**

**32 x 1 = 32 marks**

**Q.1 Please state whether the following statements are “True” or “False”.**

- 1) Purchasing function originates from Purchasing Specifications
- 2) For import letter of credit is a must.
- 3) Full capacity utilization of plant is a strength of Seller.
- 4) During recession Buyer should go for long term contract.
- 5) Learning Curve is applicable to machines.
- 6) Price Decline Protection Clause protect the Buyer.
- 7) Centralised purchasing does not permit buyer specialization and expertise.
- 8) Consignment Terms are payment terms.

**Q 2. Fill in the blanks.**

1. Excise duty on alcohol is decided by -----Government
2. Product Life Cycle has ----- phases
3. Value Added Tax is collected by ----- Government
4. National Calamity contingent duty is applicable on -----
5. The largest Buyer in India is -----
6. ----- means that the buyer should be careful and guarded against seller.
7. -----condition in PO is aimed at providing relief to seller under circumstances beyond control.
8. In Buyers Market, ----- is at disadvantage

**Q.3. Match the following. (1 Mark each)**

**[Total : 12 Marks]**

**A**

1. Bench Marking
2. Escalation Clause
3. Forward Buying
4. Vendor Rating
5. BOM
6. Self Certification
7. RFID
8. CENVAT

**B**

- a. Commodities
- b. Cost Ratio
- c. MRP
- d. JIT
- e. Duties
- f. Codification
- g. Best Industry Practice
- h. Price increase

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

**[Total: 8 Marks]**

- |          |             |            |         |
|----------|-------------|------------|---------|
| (1) EFT  | (2) DGS & D | (3) RFI    | (4) MCX |
| (5) MMTC | (6) STC     | (7) ASTM E | (8) BIS |

**PART B**

**[Total : 48 Marks]**

**Write any THREE out of the following five questions i.e., Q.5 to Q.9: (16 Marks each)**

**Q 5. a) How you will prepare for negotiation ?**

b) What are various areas for negotiation ?

c) What are skills of successful negotiators?

**Q 6. How you will appraise performance of Purchase Department- prepare detailed plan. 16 marks.**

**Q 7. a) Discuss Price cost analysis with specific example.**

b) What is the importance of Interface of purchase department with other department.

**Q 8. What are the considerations behind the decisions to 'BUY' and not 'MAKE' an item in house.**

**Q 9. Write Short Notes any four**

a) Centralisation and Decentralisation

b) Buying Transport Service

c) Public Buying

d) Green Buying

e) Supply market analysis

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

**[Total : 20 Marks]**

M/s New Age Industries Ltd, received following offers for supply of a chemical. The company has multiple units, some of the units are not availing cenvat. You are required to suggest the lowest offer.

|                          | <b>A Limited</b> | <b>B Limited</b> | <b>C Limited</b> |
|--------------------------|------------------|------------------|------------------|
|                          | Rs/kg            | Rs/kg            | Rs/kg            |
| Basic Rate               | 510              | 505              | 550              |
| Excise Duty              | 12%              | 12%              | N.A.             |
| Education Cess           | 2%               | 2%               | N.A.             |
| Higher Education Cess 1% | 1%               | 1%               | N.A.             |
| Insurance                | 0                | 10               | 10               |
| Freight                  | 10               | 7                | 13               |
| CST against Form C       | 2%               | 2%               | 2%               |
| Payment Terms            | Against Delivery | 90 days          | Against Delivery |

**Marks**

- |   |   |
|---|---|
| A) Calculate Landed Cost  | 3 |
| B) Calculate Net of Cenvat Cost                                       | 3 |
| C) Calculate impact of interest @12% p.a.                             | 3 |
| D) Calculate Total Gross Landed Cost after interest cost              | 2 |
| E) Calculate Total Net of Cenvat Cost after interest cost             | 2 |
| F) Give your recommendation for the Unit which is availing cenvat     | 1 |
| G) Give your recommendation for the Unit which is not availing cenvat | 1 |
| H) What factors you will consider besides cost before finalizing      | 2 |
| I) What Terms and conditions you will add to the order                | 3 |

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