



**DMM-5550**

**M. B. A. (Sem. IV) (Part Time) (CBCS) Examination**  
**March / April - 2016**  
**Purchasing & Materials Management**

Time : 3 Hours]

[Total Marks : 70

**Instructions :**

(1)

नीचे दशावेक निशानीवाणी विगतो उत्तरवही पर अवश्य लखवी.  
Fillup strictly the details of signs on your answer book.

Name of the Examination :

Name of the Subject :

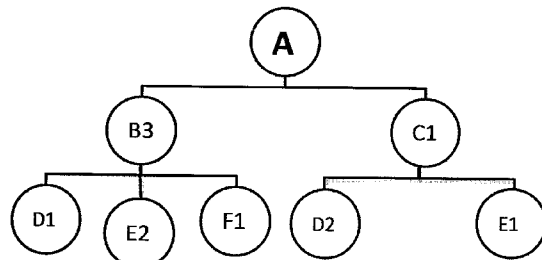
Subject Code No. :     Section No. (1, 2,.....) :

Seat No. :

Student's Signature

(2) Figures to the right indicate marks to the respective questions.

- 1 (a) Define Quality. Why quality is necessary for manufacturing? 5
- (b) Why it is necessary to study supplier's process quality parameter? 5
- (c) Explain conflict in implementing materials management system. 5
- 2 (a) Is MRP necessary for an organization ? Explain advantages. 5
- (b) Given the following product tree. Please make material requirement planning table. 10



Demand :  
A100 on 10<sup>th</sup> Day  
B30 Spares on 8<sup>th</sup> Day  
C10 on 7<sup>th</sup> Day

Lead Time :  
A - 2 Days  
B - 1 Day  
C - 1 Day  
D - 2 Days  
E - 1 Day  
F - 3 Days

- 3 (a) Define inventory and explain why inventory control is necessary ? 5
- (b) Explain ABC analysis with example. 5
- (c) Please solve following: 5  
 Determine optimal number of needles to order  
 D=1,000 units (demand)  
 S = \$10 per order (ordering cost)  
 H = \$50 per unit per year (holding cost)
- 4 (a) What is cost reduction ? Why it is necessary ? 5
- (b) Define various cost reduction techniques and explain one of them in detail. 5
- (c) What is warehouse Management ? Explain all warehouse activities in detail. 5
- 6 Case Study : 10

### **The Tale of the Two Mehtas**

Lachhman Das Mehta and Bishan Das Mehta were two employees of Weighit Corporation Ltd. They had both joined the corporation within one month of its starting operations. Lachhman Das Mehta, LDM, was senior to Bishan Das Mehta, BDM, by 20 days. This had happened 15 years ago, but LDM always made it a point to remind everybody that he was the senior Mehta. This was necessary because the two Mehtas had nothing in common except their names. As a matter of fact, they both disliked each other immensely and would be ready to spite the other at the smallest pretext. LDM was tall, dark, bald and had a serious bent of mind. He had joined the stores stream in the company after leaving his studies before the first year examination of the two-year M.Com programme. He had risen to be the Chief Stores Keeper of the company. BDM was short, fair, jovial and fiercely hard working. He had studied up to 12<sup>th</sup> class and thereafter, joined a course for Diploma in Electrical Engineering. Unfortunately, he lost his father in a road accident two months before his final examination and thus could not appear for his final board examination. The principal of the institute, where he had studied, had given

a certificate that BDM would have certainly passed with flying colours if he had appeared. BDM had joined the Purchase Department of Weighit Corporation Ltd and become the Chief Buyer a few days after LDM had become the head of stores department.

Weighit Corporation Ltd, was in the business of manufacturing mechanical weighing machines and weighing bridges of different capacities. This company boasted that they had a suitable high quality-weighing machine for every user; may it be a jeweller or the dispatch clerk of a large caste iron foundry. Dr Kirti Jain was recruited as the General Manager incharge of Weighit Corporation Ltd. The year was 1984. Dr Jain used to work with the competitor, Nikhil Weights and had gone to the UK for a two-year training/ work experience. He had just returned from abroad but did not rejoin Nikhil Weights due to differences in the terms offered by that company. Weighit Corporation clinched the recruitment deal by offering liberal terms to Dr Jain. Two main reasons for hiring Dr Jain were :

- (1) The costs of various models of weighing equipment manufactured by Nikhil Weights were usually 5 to 7 per cent lower than the costs of the machines made by Weighit Corporation Ltd. The management of Weighit Corporation Ltd wanted to find out the cause of the lower costs and neutralize the advantage enjoyed by the competitors.
- (2) The customers wanted modern electrical/electronic weighing machines, which had been available in the developed countries for some years. It was hoped that Dr Kirti Jain would help set up manufacturing facilities for suitable state-of-the-art electrical/ electronic weighing machines.

Nikhil Weights soon realized their mistake in letting Dr Jain join the competitor. They tried to reach Dr Jain quietly with a better offer than what Weighit Corporation Ltd was paying. Dr Jain held out, at the same time went slow about starting the new production line at Weighit Corporation. However, to show that he was a loyal employee of his new company, Dr Jain introduced cost reduction measures at the

Weighit Corporation Ltd. Kirti stated that materials were responsible for 55 per cent of the cost of the weighing equipment made in India. He argued that 7 to 10 per cent reduction in materials cost could be achieved through proper materials management practices. He advocated a systems approach to avoid sub-optimization. He wanted to create a Materials Management Department headed by a Materials Manager to whom all the sub-sections like Purchase, Stores, Planning and Forecasting, etc., were to report. Everybody agreed with this suggestion and organizational changes were introduced.

This flamed the war between the two Mehtas. Both claimed to be most suitable for the post of Materials Manager. LDM asserted that he was senior all through his service with the company from BDM. He held a B.Com degree and had studied through M.Com. first year, while BDM had only cleared a 12<sup>th</sup> standard. BDM pointed out that he was almost an electrical engineering diploma holder and the corporation would need electrical engineering skills for the materials management department, especially when the new weighing equipment were taken up for manufacture. BDM also spoke about the honest hard work done by him all through his service of the corporation. It became evident to Kirti that promoting any one of them will seriously demoralize the other and introduce conflict in the running of the new department. He wondered whether he should recruit a Materials Manager from outside or should he keep the organizational changes in abeyance for sometime.

Your views and reasons for the same

Note : The employment of Dr Kirti Jain by one company followed by an offer by the first company could be a case study by itself. Participants may try to analyse the past and future possible actions of both the companies and Dr Kirti Jain.