

PGDM – RM 2015-17
 Buying and Merchandising
 RM - 504

Trimester – V, End-Term Examination – December 2016

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section: A

1. Explain the buyer's role in traditional retailing operation such as Department Store vis-à-vis Television Shopping retailer.
2. Describe why the merchandise assortment found in branches often differ from those found in the flagship store
3. How different are the initial markup made by off-price stores and department stores? What is meant by the keystone plus markup?
4. Explain the difference between buying for stores and for direct retailing catalogs. How important a factor is time for buyers who purchase for the Internet retailing.
5. A. Retailer had sales of \$102,000 during June. Its end-of-month (EOM) stock was \$300,000 and its BOM stock was \$270,000. What were its additions to stock during June?
 B. The annual sales of a retailer chain was \$56,000,000. The average inventory at cost was \$40,000,000 and the gross margin was 43 percent. What were the chain's GMROI, inventory turnover, and average stock-to-sales ratio?

Section: B

6. What are the retail and cost inventory values of a retailer at the end of the month of October based on the following information?
 - A. Beginning-of-month (BOM) inventory worth \$200,000 at cost and \$300,000 at retail.
 - B. Purchases made during the month worth \$250,000 at cost and \$350,000 at retail.
 - C. \$14,000 paid for freight charges.
 - D. \$260,000 net sales of retail, with-a cost of goods sold at \$180,000.
 - E. \$10,000 total markdowns.
 - F. \$300 in employee discounts.
 - G. \$4,800 allowance for shrinkage.

7. What are major considerations used by merchants in selecting a residents buying office to represent them? How do fashion forecasters assist store buyers?
8. How are buyers guaranteeing a certain degree of exclusivity in their inventories? Do buyers always opt to buy fashion merchandise as early in the season as possible?

Section : C

Caryn's Boutique opened five years ago and has grown by leaps and bounds. The operation began as a "corner" of an established men's shop, it has mushroomed into a separate retail operation apart from the premises it originally shared. The first year of operation (in the men's shop) saw Caryn's Boutique gross \$47,000. Today, annual sales are in the vicinity of \$475,000. Much of the store's success was based on the ingenuity of its owner, Caryn. Merchandise purchased was not carefully planned quantitatively but was based on a general "feeling" for additional goods. With the opening of the present operation, all the operational expenses have grown significantly. Caryn has found sales increasing beautifully, but the unsold merchandise has mounted considerably. In her previous operation Caryn bought sparingly because of space limitations. Now, overbuying has become a serious problem. Not in the habit of carefully planning model stocks, Caryn has found her inventory to be short in some items and overstocked in others. Obviously, the key to success of the business is the development of a model stock prior to actual purchasing.

For the coming summer season, Caryn has shopped the market and decided to restrict her purchases to swimsuits, dresses, shirts, skirts, shorts, pants, accessories, and novelty items of the season. Let alone applying the actual dollars to the merchandise needed, Caryn is confronted with the problem of the development of a model stock for the coming season. Understanding that action based on whim is no longer practical and could be devastating, she is open to suggestions.

Questions:

1. Briefly describe the first consideration of Caryn's buying plan in your words.
2. How could Caryn determine, in order of importance, the need for each type of merchandise indicated in the case?
3. List the various steps Caryn should plan before finalizing its purchases.
4. Should Caryn plan to spend every dollar allocated for her initial investment? Defend your answer.