

PGDM/PGDM-IB, 2017-2019

Procurement Management

DM-443/IB-418

Trimester – IV, End-Term Examination: September 2018

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
		<b>Total Marks</b>	<b>50</b>

Section A

1. Why supplier-buyer relationships are important for business performance?
2. Why it is important to study supplier's cost structure? Explain using suitable examples.
3. Find out the ordering policy and the total cost for following demand data using PPB, given the ordering cost is 200 per order and holding cost is 3 per unit per week.

Week	1	2	3	4	5	6	7	8
Demand	20	50	20	100	12	30	80	10

4. XYZ Co. is procuring five different products from the set of six suppliers. The firm needs to design its procurement plan over the planning horizon of six months for all products against the respective demand. Also, Supplier 4 does not supply item 5 and supplier 3 does not provide for item 2. The beginning inventory of item 1 is 100. Formulate the procurement problem considering following Notations:  
i-index for items, j-index for suppliers, t-index for time period  
D Demand, I Inventory, PC-Unit price, SC-Supplier Capacity, OC- Ordering Cost, HC-Holding cost
5. Discuss the importance of ethical and sustainable practices in procurement procedure using examples from corporate world.



**Section B**

6. Following is the quote received from a supplier:

Quantity	Unit Price (\$)
1-50	90
61-100	88.5
101-200	87.5
201-300	80
301-400	76
401-500	73
501-999	73

What do you conclude about this quotation? Does it appear reasonable based on your analysis? Why or why not?

7. Discuss in detail the role of Product differentiation in framing procurement strategy of a firm.
8. Why acquisition cost is not a good idea for capital purchases? Discuss the steps involved in procurement of an expensive equipment.

**Section C**  
Case Study



The North American Free Trade Agreement (NAFTA) had just passed. For Katie Dunhill it was good news because, she hoped, the paperwork would be reduced. Katie was the import/export coordinator for Tokisan America Inc. (TAI). She managed the process of obtaining and sending raw materials and finished goods to and from the Mexican maquiladora. The maquiladora was a Mexican company that processed and assembled labor-intensive parts. Companies from all over the world, including TAI, arranged for maquiladoras to do assembly work because of the low-cost labor.

Tokisan was a Japanese company with headquarters in Tokyo and subsidiary production facilities in the United States and Mexico. The U.S. subsidiary, TAI, was essentially autonomous, while the Mexican maquiladora was not. The maquiladora was managed entirely by TAI. For the last week there had been ominous rumors of a future trucking strike in Mexico. Any trucking strike would slow or stop cross-border traffic since the truckers would most likely block major roads.

Katie knew the import/export process well. She was aware that the export paperwork at TAI took at least eight hours to process (Katie was sure it could be done faster). It took at least four hours for the trucks to be loaded and four hours for the trucks to reach the border. At the border, the trucks could clear in a minimum of five minutes, but sometimes the Mexican Customs officials would review the shipping documents with agonizing slowness. Sometimes the tactic was used to extract minor bribes, which TAI refused to pay, preferring up to one day of delay.

Customs officials were slowly learning that TAI did not pay, and were resorting to tougher tactics such as questioning the shipping documents and refusing entry of material. Once across the border, it would take an additional six hours for the truck to reach the plant and get unloaded. Only then was the raw material available for the assembly work. Recently the headquarters office in Japan had made the request to begin converting all manufacturing to a just-in-time basis. Katie knew this would be problematic, especially with the Mexican maquiladora as part of the manufacturing process. With all this in mind, she knew she had to make some quick decisions. Allowing production to stop was viewed poorly by management. Today was Wednesday, 7 a.m., and the trucker strike would probably start next Monday—and was expected to last a minimum of two days. She would attend the daily production meeting in fifteen minutes. She sat down, looked out the window, then looked down at her calendar, and decided what to do.

Identify and discuss the key issues in the case.