MBSC-3.3D

Sl. No.

III Semester M.B.A. Degree Examination, October/November - 2025

Elective - D : Operations

MANAGEMENT

Material and Purchase Management

(CBCS Scheme)

Time : 3 Hours **Maximum Marks : 80**

SECTION - A

Answer any FIVE questions. Each question carries 5 marks. **(5×5=25)**

1. What are the functions of materials management?

2. What are the benefits of materials budget?

3. Write the limitations of materials management.

4. How spare parts are classified? Explain.

5. What are the parameters to be considered for purchasing?

6. Write a note on volatile nature of make or buy situations.

7. What are the levels of vendor assessment? Explain.

SECTION - B

Answer any FOUR questions. Each question carries 10 marks. **(4×10=40)**

8. Explain the scope and challenges of material management.

9. Elucidate the guidelines to be used for effective and reliable material planning.

10. Explain the need and factors influencing spare parts inventories.

11. Critically evaluate various methods and techniques of purchasing.

12. Explain the process of key supplier evaluation and selection.

13. Describe the relationship of material planning with production and forecasting.

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SECTION - C

14. Case (Compulsory). **(1×15=15)**

At a recent Management Meeting of M/S Best Cosmetics Company Ltd., Marketing Head reported that the Company is missing lot of Sales Targets due to delayed shipments and inferior quality Products. Production Head noted that this situation was due to low production yields that resulted from poor material and supply availability. To offset the problem, production worked overtime to get orders out once supplies arrived. Purchasing needed to improve requisition of items available from single sources as well as those that had required long-lead times. M/S Best Cosmetics Company Ltd., Hyderabad decided to go in for a major change in the designs of all its Products. The Company had about 75 Products in its Range. The main objective was to double the Sales Turnover during the next two years.

The Company employed approximately 850 production workers and 250 managerial/ administrative staff. The Company also had 10 Job-workers/Loan Licensees who were manufacturing and packing their Products on a regular basis, based on the formulations given by Best Cosmetics. Best Cosmetics arranged the materials too. In addition, the Company had very ambitious plans to go in for ISO Certification during the current year.

Purchase Department Best Cosmetics used a Master Production Schedule (MPS) to coordinate jobs as well as generate material and supply orders through its Manufacturing Resource Planning System (MRP). Updates to the MPS resulted in the MRP advancing, delaying or canceling any number of planned purchases. In addition, the inordinate delays in development of new designs and short notices given to arrange the supplies complicated the matters further.

Recent reports indicated that the procurement system had problems. The system relied upon an order forecasting method to anticipate supply requirements and avoid stock outs. Inaccurate forecasts forced buyers to cancel orders or return supplies of some items to prevent excessive inventories. Even when forecasts were correct, the long lead-times on some supply items resulted in stock outs. The prolonged New Design Developments and shorter lead-times given for procurements made these problems worse. In some cases, small order sizes as well as limited storage space at the Job-Workers complicated the matter further. In light of these and other problems, the Management had initiated a number of programs to improve the purchasing operations and profitability. These programs covered a number of areas including cost reduction, vendor development, ordering and buying policy review and lead-time reduction. Despite these efforts, Best Cosmetics needed to ensure that the materials were available to support ongoing changes. The Purchase Manager needed to identify some alternatives to improve supply/material availability.

Questions:

a) What immediate problems must the purchasing management correct?

b) What Modern Techniques/Tools would you suggest to improve the efficiency of Purchase Department and why?
