



Name : .....  
Roll No. : .....  
Invigilator's Signature : .....

**CS/BBA (H)/BIRM/BSCM/SEM-4/BBA-402 /2012**  
**2012**  
**MATERIALS MANAGEMENT**

*Time Allotted : 3 Hours*

*Full Marks : 70*

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

**GROUP - A**  
**( Multiple Choice Type Questions )**

1. Choose the correct alternatives for any *ten* of the following :  
10 × 1 = 10

- i) Materials Management can improve a company's profit by
  - a) increasing sales
  - b) reduction of direct materials cost
  - c) reduction of direct labour cost
  - d) none of these.



- ii) The objective of materials management is to
  - a) provide the required level of customer service
  - b) maximize the use of the firm's resources
  - c) both (a) and (b)
  - d) none of these
- iii) The criterion employed in ABC analysis is
  - a) Usage value
  - b) Unit price
  - c) Seasonality
  - d) none of these.
- iv) The criterion employed in VED analysis is
  - a) criticality of the item
  - b) source of procurement
  - c) issues from stores
  - d) none of these.
- v) The objectives of MRP are to
  - a) determine requirements
  - b) keep priorities for current
  - c) both (a) and (b)
  - d) none of these.
- vi) The objective of vendor development is
  - a) to negotiate the price of material
  - b) for the overall development of vendor
  - c) to transport the material at some location
  - d) to produce cheap quality product.



- vii) Certificate of origin is a document
- a) for clearing item by custom department of importing country
  - b) for clearing item by exporting country
  - c) required by third party
  - d) none of these.
- viii) The document prepared on receipt of materials in store is known as
- a) MRN
  - b) GRN
  - c) Challan
  - d) Bill of material.
- ix) The method by which a limited number of items selected at random or on a preplanned basis are checked every day at specific time interval is known as
- a) physical verification
  - b) periodic verification
  - c) continuous verification
  - d) materials audit.
- x) Lead time represents
- a) time required for placing order
  - b) time required for receiving materials
  - c) time required between placing order and receiving the materials in store
  - d) none of these.



- xi) Value analysis is a technique of
- a) Calculating the Inventory level
  - b) Finding out the unnecessary cost associated with the production
  - c) Routing and scheduling
  - d) None of these.
- xii) Hedging Technique is used
- a) when there is an organized commodity market
  - b) when large quantities of a particular commodity are bought or sold
  - c) both (a) and (b)
  - d) none of these.

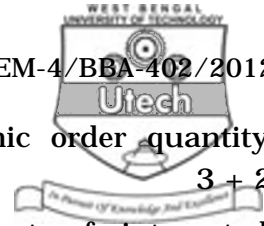
### GROUP - B

#### ( Short Answer Type Questions )

Answer any *three* of the following.  $3 \times 5 = 15$

2. The fixed costs for making a pottery item in house is Rs. 12,000 and variable cost per unit is Rs. 1.50. If the potter buys the item from a vendor, it incurs annual fixed cost of Rs. 2400 and a variable cost of Rs. 2 per unit. The owner of the pottery expects to sell 25000 units of the item per year. What is the potter's decision : Make or Buy ? Explain.
3. Define the terms obsolescence, surplus, defective and scrap in storage control. Briefly state their disposal procedure.

3 + 2



4. Explain in detail the concept of economic order quantity (EOQ). How is it calculated? 3 + 2
5. Examine the significance of the concept of integrated materials management.
6. a) State the advantages of ERP.
- b) What do you mean by the purchase cycle? 3 + 2

**GROUP - C**

**( Long Answer Type Questions )**

Answer any *three* of the following. 3 × 15 = 45

7. a) What do you understand by preservation of stores ?
- b) State and discuss the precautions and specific method of preservation of some important items kept in the store? 4 + 11
8. a) What is MRP ?
- b) Highlight the inputs of MRP.
- c) Illustrate by means of a flowchart the steps involved in an MRP programme. 2 + 5 + 8
9. a) ABC Ltd. manufactures a special product A. The following particulars were collected for the year 2010 :

|                               |   |                   |
|-------------------------------|---|-------------------|
| Monthly demand of A           | — | 100 units         |
| Cost of placing an order      | — | Rs. 100           |
| Annual carrying cost per unit | — | Rs. 15            |
| Normal usage                  | — | 50 units per week |
| Minimum usage                 | — | 25 units per week |
| Maximum usage                 | — | 75 units per week |
| Re-order period               | — | 4 to 6 weeks.     |



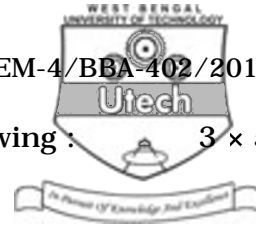
Compute from the given information :

- i) Re-order level
  - ii) Re-order quantity
  - iii) Minimum level
  - iv) Maximum level
  - v) Average level.
- b) Differentiate between an agreement and a contract. Under what conditions does a contract become void ?

10 + 5

10. a) Describe the sequential steps in making an ABC analysis with an illustrative example.
- b) Prepare a store ledger account under the LIFO Method of pricing the issue of stores, using the following information :

| 2012    |   | <b>Units</b> |
|---------|---|--------------|
| January | 1 Balance in hand @ Rs. 1.10 per unit         | 100          |
|         | „ 2 Received @ Rs. 1.20 per unit              | 200          |
|         | „ 10 Issued                                   | 150          |
|         | „ 14 Received @ Rs. 1.30 per unit             | 100          |
|         | „ 18 Issued                                   | 150          |
|         | „ 23 Returned from the issues on 10th January | 20           |
|         | „ 26 Received @ Rs. 1.20 per unit             | 100          |
|         | „ 30 Wastage                                  | 10           |
|         | „ 31 Issued                                   | 110          |
|         |   | <b>7 + 8</b> |



11. Write short notes on any *three* of the following : 3 × 5

- a) Letter of credit
- b) Computer applications in inventory control
- c) Principles of purchasing
- d) Vendor rating and evaluation
- e) FSN analysis.

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