



CII Institute of Logistics
PGDSCM & Certificate Programs
Semester-end Examination – June 2009

Supply Chain Management

Time : Three Hours

Marks : 100

Part A

Answer all questions (20 x 1 = 20 Marks)

1. The replenishment cycle occurs at the distributor/manufacturer interface.
True/False
2. The decision phases in a supply chain include
 - a) Production scheduling
 - b) customer relationship management
 - c) Supply chain operation
 - d) Supply chain orientation
 - e) All the above
3. The time between when a customer places an order and receives delivery is
 - a) Response time
 - b) Product variety
 - b) Product availability
 - d) Customer experience
 - e) Order visibility
4. The major drivers of supply chain performance are inventory, facilities and transportation only. True/False
5. If a product has low value to weight ratio, low demand uncertainty or customer orders are small, inventory aggregation decreases supply chain costs. True/False
6. _____ aligns the capabilities of suppliers, manufacturers, channel partners, service providers, and customers to develop sustainable competitive advantage:
 - a) e-business solution
 - b) Supply chain
 - c) Supply chain mapping
 - d) Logistics
7. The ware house receipt is transferable by endorsement. True/False
8. Logistics audit helps in preparing strategic plans to bring efficiency and effectiveness, in to the entire logistical supply chain True/False
9. Increasing the number of WMS facilities decreases the response time and transportation but increases inventory and facility cost. True /False
10. Which of the following is not a major driver of supply chain performance?
 - a) Customers
 - b) Inventory
 - c) Facilities
 - d) Information
11. The finance flow in SCM consists of everything, Except
 - a) Credit Terms
 - b) Discounts
 - c) Consignment ownership
 - d) Status of delivery
12. ERM (Employee Relationship Management) is useful for
 - a) Reduction of wastage in the production process
 - b) Reduce cost of suppliers
 - c) Achieving end customer satisfaction
 - d) Reduction of cost during transportation
13. Back Casting mean
 - a) Forward projection of Data variables
 - b) Forecasting
 - c) Backward projection of Data
 - d) Event of business recession
14. The key to Purchasing success in SCM lies on
 - a) Study particular Industry and specific market position
 - b) Formulate a plan to realize the value
 - c) Execution stage
 - d) All of the above.
15. At a bare minimum, a WMS should
 - a) Have flexible location system
 - b) Utilize user defined parameters and use documents
 - c) Have built in integration with data collection services
 - d) All of the above
16. Tactical outsourcing means
 - a) No bonding between the 3PL and outsourcing company
 - b) Have long term contracts and use integrated IT
 - c) 3PL companies become partners in business
 - d) All of the above
17. SCOR model is process driven and not Functional driven. True / False
18. Balance score card usually covers the following areas:
 - a. Financial
 - b. Customer and Internal Business including Training
 - c. All of the above
 - d. It tracks limited number of metrics
19. A good IT system should have
 - e. Ability to deliver an Integrated solution
 - f. Cost effectiveness

- g. Ability to migrate and incorporate newer developments
- h. All of the above

20. The convergent network in Returns management accumulates used products from individual sources and conveys them to nearby recovery facilities.

True/ False

Part B

Answer any FOUR

Marks: 4 x 10 =40

1. What are the three flows of SCM? Explain each in detail.
2. Define role of IT in Supply Chain integration.
3. Write notes on Demand Forecasting and its use in SCM.
4. Describe role of Inventory in SCM and methods of Inventory controls.
5. What is the need for warehousing? Which factors influence WMS decisions?
6. Write short notes on two of the following:
 - a. Returns Management
 - b. What types of organizations use Outsourcing? Define its Core advantages
 - c. SCOR Model
 - d. IT tools in SCM

Part C

Case Study

CAP INDUSTRIES LIMITED

Kamini recently joined the supply department of CAP INDUSTRIES LIMITED (CIL). Kamini had been a supply manager in a machine shop in the nearby town of Pune. While at the machinshop, she completed her MBA degree with a major in supply chain management. Her new job with CIL resulted in a handsome increase in salary and a great potential for promotion. Kamini's first assignment at CIL was supply manager for all purchased components for CIL's line of power mowers. Kamini's new boss and the individual responsible for hiring her was Kamal Gupta , the supply manager.

Kamini received as her first major buying assignment the purchase of a metal housing for a 19-inch power mower. Her previous experience had given her a familiarity with drawings and specifications, particularly as they were related to sheet metal work. She was not disturbed at all by the magnitude of the assignment. It involved not only a high-priced assembly, but also a major investment in tools. Kamini requested advice from Mr. Gupta as to those sources that could fabricate the housing at low cost. Mr. Gupta gave her the names, addresses, and contacts for four companies currently in the business of manufacturing this type of product, and recommended that they be sent drawings and specifications.

On receipt of the drawings, all the potential suppliers visited Kamini to make sure that all the details were understood and to offer helpful suggestions as to ways in which the housing could be made at a lower cost. In the meetings that ensued, both Kamini and Mr.Gupta discussed the details with the suppliers and the design engineer. At that time it was pointed out very clearly by Kamini that this housing purchase was highly competitive, that other sources were also quoting on the same drawings and specifications, and that the power mower was a low-profit-margin item. Accordingly, the company was forced to make every conceivable effort by negotiation of design and price to purchase the housing at the rock-bottom price. She also pointed out that there would be substantial volume over a period of twelve to eighteen months, which should make the business very attractive. In a few days following these separate meetings, quotations were received from the suppliers. Kamini carefully reviewed them, with the resultant determination on her part to place the business with the lowest bidder who apparently would meet all the drawing and specification requirements. The low bidder, the Tata Iron Works, quoted Rs.982. The next lowest bidder, the Tiwari Machine Company, quoted Rs. 975. The other two companies were over Rs.1049 and were not given any consideration by Kamini.

In the course of a discussion about the placement of this business, Kamini was quite surprised to find that Mr. Gupta did not consider that the business was ready for placement. He contended that the price of 982 was too high, and that the business should really be placed with the Tiwari Machine Company. Kamini argued with Mr. Gupta that, inasmuch as the suppliers had been told that they must bid at the lowest possible price, they had negotiated out all of the design features possible. The price must be right. She saw no reason for procrastination or further discussion. Mr. Gupta, on the other hand, calmly stated that they were now in a position for the first time really to negotiate the purchase and that Kamini should go back to the low bidders and tell them that their prices were too high and that they should submit new quotations. Kamini stated that she was of the opinion that this was unfair to the Tata Iron Works. She felt the quotations were already based on the suppliers making a fair profit and that such a quotation might injure their opportunity to negotiate further business with these suppliers. Mr. Gupta agreed that any company that does not receive the business is apt to be unhappy regardless of the circumstances, but he would not agree that the question of profit should concern the buying firm. After all, no consideration was being given to the profitability of the power mower, which had already been clearly defined as marginal.

Mr. Gupta further explained to Kamini that it was highly desirable for the business to be placed with the Tiwari Machine Company as the Tata Iron Works was already making all the other mower housings. Unless the company provided some split of the business, it would lose its negotiating effectiveness for future business (it being accepted by the suppliers that no one but the Tata Iron Works could get business from CIL). Mr. Gupta further explained that the company was not in a position to pay Tata more than Tiwari and that the negotiations should be conducted to ensure not only that Tiwari Machine Company received the business but that it was

the low bidder. The degree of determination on the part of Mr. Gupta that this must be true, and the lack of acceptance by Kamini of the fact that it either could or should be done, resulted in Mr. Gupta taking over the completion of the negotiations with both the Tata and Tiwari companies. The net result of this second-look negotiation was that the business was placed with the Tiwari Machine Company at a price of Rs. 920. The initial and revised bids are as follows:

	Initial	Second
Tata	982	972
Tiwari	975	920

Kamini was very upset on two counts: Her supervisor had proved that additional costs could be taken out of the part, and supplier relations had apparently not been damaged or disturbed.

Questions

Answer any FOUR

Marks: 4 x 10 =40

1. Why was Mr. Gupta able to reduce the price? How did he know that a reduction was possible?
2. Did Mr. Gupta treat Miss Kamini fairly?
3. Can this type of buying approach be broadly applied to all commodities and industries?
4. Do you believe that either Miss Kamini or Mr. Gupta was right in disregarding the high initial bids submitted by the third and fourth companies?
5. Were supplier relations damaged or disturbed?
