



**CLASS: III BBBA**  
**SUBJECT: MATERIALS MANAGEMENT**  
**CODE: MAM5W**  
**QUESTIONS WITH KEYS.**

Short Answers:

**1. Define the term Materials Management**

Answer: Material Management is defined as the management of flow of materials in to an organization to the point where these materials are converted in to the firm's end product.

**2. What is Integrated Materials Management?**

Answer: Integrated Materials Management system helps in achieving the twin objectives of an enterprise –a reduction in cost and an increase in profits.

**3. What is codification of materials?**

Answer: To identify correctly and on logical basis avoid multiplication of items and save time and labor to facilitate easy location and proper functioning of the store house a proper codification is evolved.

**4. What are the demerits of materials management?**

Merits: - 1.Avoid long and UN wieldy description. 2. Accurate and logical identification, 3. Prevent duplication. 4. Reduce varieties. 5. Have efficient purchasing department.6. Simplify and facilitate mechanical recording.

**5. What are the demerits of materials management?**

Demerits:- 1.Mistakes in coding.2. Detection of coding mistake.3. Codes are often misunderstood.4. Large number in one group. And 5.Dummy codes.

**6. What are the demerits of materials management?**

Demand forecasting is an estimate of sales in physical units for a specified period under proposed marketing plan and under assumed set of economic and other forces outside the organization for which the forecast is made.

**7. What is inventory control?**

Inventory control is the process whereby the investment in materials and parts carried in stock is regulated within predetermined limits set in accordance with inventory policy established by the management.

**8. What are inventory models?**

Inventory models-ABC Analysis, XYZ Analysis. , V.E.D. Analysis, FSN Analysis.

**9. Define ordering costs?**

Ordering cost referred as the cost of placing an order and securing the supplies.

**10. What is meant by stock out?**

Stock out means non availability of the stock, the consequences of which may result in breakdown of production operation or delaying operation.



### 11. What is EOQ?

The EOC refers to the quantity of materials ordered to be purchased at the lowest total cost. It is determined by the cost of procurement and the cost of carrying inventories.

### 12. How do you determine EOQ?

EOQ is determined with the help of the following formula.

$$EOQ = \sqrt{2 \times \text{Annual consumption in units} \times \text{cost per order}}$$

Price per unit x carrying cost expressed as a percentage of total investment in inventory.

### 13. Define the term MRP.

MRP is a technique for determining the quantity and timing for the acquisition of dependent demand items needed to satisfy master production schedule requirements.

### 14. What is independent demand inventory?

An item is said to exhibit dependent demand characteristics when its use is directly dependent on the scheduled production of a larger component or parent product of which the item is a part.

### 15. What is BOM?

To schedule the production of an end product, the MRP system must plan for all the materials, parts and subassemblies that go in to the end product. The Bill Of Materials file identifies each component by its unique part number and helps processing by a process which explodes end item requirements in to component requirement.

### 16. What is ABC Analysis?

ABC Analysis is a basic materials management tool. It calls upon the top management to place its efforts where results will be greatest. It always controls the best, then better and lastly the good.

### 17. What is VED Analysis?

V stands for Vital for Essential and D desirable. This type of classification is applicable mostly in the case of spare parts. The categorization is made in terms of importance or criticality of the part of the operation of the plant. If it is vital it is given V, if it is important, it is given an "E", if it is not so important it is given "D"

### 18. Write a note on FSN Analysis

FSN stands for Fast moving, slow moving and non moving. This classification comes in handy when we desire to control obsolescence.



**19. What is meant by store keeping?**

Store Keeping is a service which deals with the physical storage of goods under the custodianship of a person called Store Keeper. Goods stored may be either stores or stocks.

**20. What is Material Handling?**

Materials handling:-Material Handling is the art and science involving the movements, packaging and storing of substances in any form.

**21. What are the objectives of Material Handling?**

Objectives of Material handling:-selection of machines and plant layout to minimize material handling requirements, selection of appropriate, efficient and safe material handling equipment, prevention of damage to materials

**22. Define spare parts.**

Spare parts refer to those parts which are identical with some parts in a machine, but in general their life is less than the operating life of the machine and they often require replacement at short notice.

**23. What is Purchase Management?**

Purchasing Management is management of procuring of materials, supplies, machine tools and services required for the equipment, maintenance and operation of a manufacturing plant.

**24. What is Import Substitution?**

Import Substitution refers to indigenous source of development so as to get the materials indigenously, to conserve valuable foreign exchange, to reduce the cost of production and encourage and develop local industry trade.

**25. Define Stores Location.**

Stores location refers to choosing, fixing, or selecting a site for the stores building in the organization. It means proper placing of materials inside a store so that they can be easily identified, located and issued.

**26. Explain the concept of Stores Location.**

Concept of Stores Location:-The broad concept of stores Location is –Stores location is the process of selecting the appropriate site for the store building in the organization and deciding how materials are to be placed inside store, so as to provide efficient and prompt service to the user department.

**27. What are the advantages of Centralized Stores?**

Advantages of Centralized stores:- A wider range of goods is provided for all users than is possible in small stores. In addition, Inventory can be minimum, Better control is possible.

**28. Define Re-order Level.**

Reorder Level:-Reorder Level is a point at which the store keeper should initiate the purchase requisition for supplies of the materials.

**29. Define XYZ Analysis.**

XYZ Analysis:-This is based on the value of inventory stored. If the values are high, special efforts are to be taken to reduce them. This exercise can be done once



a year. Items classified as X denotes high inventory value. Items classified as Y & Z denote medium and low inventory values respectively.

**30. What is Import Sourcing**

Import Sourcing:- There is several sources of information on foreign suppliers like journals and periodicals, both Indian and International, which identify foreign manufacturers, both Indian and International which provide information on the possible sources.

**31. What is Scrap Yard?**

Scrap Yard performs activities of receipt, segregation and storage of different types of scrap.

**32. What is Quality Control?**

Ans.: Sum total of all characteristics and attributes of a certain product or an object which go to make it to the people for whom it is meant, and it is the sum total of these characteristics and attributes that determine the demand or utility or price of a product or an object.

**33. Define Inventory carrying cost.**

These are the costs that are incurred for carrying the inventory that is, maintaining a particular level of inventory. These include financing cost, insurance charges, property taxes, storage expenses, handling expenses, cost of deterioration, and cost of obsolescence.

**34. What is Minimum Stock Level?**

Minimum Stock Level. This level represents the quantity of inventory below which stock should not be allowed to fall. The main purpose is to ensure that production is not held up due to shortage of any material.

**35. Define the term Receiving Note.**

Receiving store: Performs activities necessary to exercise control on quality and quantity of purchased materials before they are accepted and taken in to stock.

**36. Inspection:** Inspection is the process of examining an object for identification or checking it for verification of quantity and quality in any of its characteristics.

**37. Vendor:** A person who supplies quality goods to an organization.

**38. Material Handling.** Material Handling is the art and science of involvement of movement, packaging and storing of substances in any form.

**39. Speculative Buying:-**Refers to the buying of an item in large quantities when its price is low with an intention to sell a bulk of it at higher price for speculative profits.

**40. Blanket Order:-** Blanket order refers to the purchase of variety of items from a single source, usually, a middleman,

**41. Dispatch:-**Dispatching is the routine of setting productive activities in motion through the release of orders and instructions, in accordance with previously planned time and sequences, embodied in route sheets and schedule chart.



42. **Material Return Slip**:-When materials are not required by the production department, they are returned to the stores, using a document called Materials Returned Note.
43. **Material Transfer Note**:-When materials are transferred from one department to another or from one job to another, a material transfer note is prepared and sent to the stores /stores accounts department of or recording of materials issued.
44. **Purchase Manual**:-refer to written policies The control of purchasing are spelt out in a written purchase manual which assigns responsibilities for and within the purchasing function, defines the manner in which suppliers are selected.
45. **Functions of Materials Management**:-Ensure uninterrupted production or operation, by maintaining steady flow of materials, to reduce working capital requirements through proper and scientific inventory control, to be alive to the changes in the market in respect of new product.
46. **Purchase Management**:-Locating, selecting and developing qualifies source of supply, attending on to suppliers' request for increase ,disposal of surplus, obsolete and scrap materials.
47. **Cost of Obsolescence**:-Industries which are fashion based such as readymade apparels or technology oriented such as manufacture of electronic calculators, incur a heavy loss if their products become obsolete and outdate. Losses suffered due to these reasons are treated as cost of obsolescence.
48. **An agent** is a person who arranges for purchase of certain specific goods.
49. Export houses are those who import items for use in their own factories and /or for selling to others
50. **Special store**:-Special store perform the activities of receipt, storage and issue of special materials. Typical examples are Bonded Stores stocking hypothecated goods, statutory store stocking materials such as kerosene, diesel and temperature controlled store such as fish, meat, vegetable etc.
51. **Need for storage and preservation**:-Goods are stored for the purpose of safety, perishables being damaged.
52. **Salvaging**:-Materials which are unusable, scrap or obsolete or far in excess of requirements have to be disposed off profitably. The defective materials should be corrected to make them usable.
- 53. What are the objectives of Materials Management?**
- Ans.(1) Ensure uninterrupted production
- (2) To effect economies in the cost of materials by purchasing materials in time
- (3) To reduce working capital requirements through proper and scientific material control
- (4) To be alive in changes in the market in respect of new product
- (5) To save foreign exchange through import substitution
- (6) to conserve material resources within the organization there by contributing to the conservation of national resources.



**56. What are the different methods of codification in operation?**

Ans. (a) Alphabetic: Letters chosen to represent particular classification

(b) Simple Numeric: Numbers are assigned for classification

© Combination system: some firms find advantageous to combine mnemonic and numerical or decimal system.

(d) Lock system: Block of numbers are reserved for specified classification such as 1,700-1,900 for raw materials 1,901 -2,100 for manufacturing parts etc.

(e) Decimal system: Numbers are assigned in such a manner that each digit represent a sub group or sub account of previous group.

(f) Numeric system: The first or basic numbers indicate specific classes with subsequent digits used to describe sub classification.

(g) Mnemonic System: It is an alphabetic system with an objective of easy memorization.

**57. What are the different methods of Sales forecasting?**

Ans. The following are the forecasting method:

(a) Judgment techniques: A method which relies on the art of human judgment, Some of these methods are-Opinion survey method, expert opinion method, Customer and distributor Surveys, Marketing trials, Market Research, Delphi method

(b) Time series method: Some of the time series methods are Simple average, moving average weighted average and trend correction method.

(c) Casual forecasting-This method tries to identify the factors which cause the variation of demand and try to establish a relationship between demand and these factors. Some of the casual methods are Regression and correlation analysis, input-out analysis and end use analysis.

**58. Describe the methods of purchasing.**

Ans.

(a) Hand to mouth purchasing: refers to frequent purchases of an item in small quantities, only when demand arises, cover immediate requirements

(b) Scheduled purchasing: is the process of procuring an item in staggered deliveries according to the delivery schedule furnished to the suppliers by the buyer.

(c) Market Purchasing: refers to the procurement of sufficient quantity of an item at a time when prices are low to meet the requirements of production in advance of the future needs.

(d) Speculative purchasing: refers to the buying of an item in large quantities, when the price is low with an intention to sell a bulk of it at a higher price for speculative profit.

(e) Contract Purchasing: Contract buying is the purchasing made under contract, usually formal, of needs materials, the delivery of which is frequently spread over a period of time.



- (f) Blanket Orders: refers to the purchase of variety of items from single source, usually, a middleman.
- (g) Tender Purchasing: Government departments and public sector undertakings in India follow this method of buying.
- (h) Seasonal Purchasing: refers to buying of the annual requirements of an item during its season. This method is used for items available in particular season only.
- (i) Group Purchasing: refers to buying of items of trivial value in a single purchase order.
- (j) Sub Contracting: is the work placed with outside supplier to manufacture a particular item as per the instructions of the main contractor for economic reasons.

**59. Describe the assumptions of Economic lot production.**

Ans.

- (a) Annual carrying cost can be accurately estimated and known
- (b) Setup costs can be accurately estimated and fixed.
- (c) Annual demand can be estimated and is linearly consumed by customers.
- (d) There are no quantity discounts.
- (e) The rate of production exceeds the rate of usage by customers during the production period.
- (f) All production not used to satisfy demand is placed in inventory.

**60. Describe the main responsibilities of store keeper.**

Ans. Receipt of goods-receive incoming goods, assist unloading operations, count, verify, check for damage and prepare report., fill goods inward register, complete vendor consignment note, inspect or arrange for inspection and complete the inspection speedily.

Stores Office-Ensure all storage facilities are in proper working condition, ensure good housekeeping, report accidents check physical condition of all stocks, check for leak, spoilage, check suitability of packaging, clean waste packing materials, check and count before issue, ensure receipts and issues are properly documented.

**61. Describe the various tools in value analysis.**

Ans. Generally there are two tools of value analysis. Design analysis and cost analysis.

1. Design analysis is step by step study of all phases of the design of a given item in relation to the function it performs here are four approaches to design analysis, Brainstorming-this is the process of creative thinking by a group of people and is based on the theory that many ideas spontaneously generated are completely infeasible but trigger off to a different and highly feasible idea.

Use of supplier's knowledge-Involvement of supplier's informal participation or by attending the periodic organized seminars by suppliers.

Check list approach-in this approach a number of questions are regarding a component or part, and when there is some unsatisfactory answer in a query, it becomes a starting point for further probing.



Functional cost approach-the cost of some particular functions appearing on new jobs can be compared with historical benchmark. If cost appears excessive, the analyst investigates further to determine the reason.

2. Cost Analysis-Cost analysis involves the investigation of supplier's probable cost of producing a given product. An analyst constructs the estimated material cost. Labor, manufacturing overheads, using wage data material price list, various industries time standards.

**62. Describe the benefits of scientific storekeeping.**

Ans. Reduces loss due to accumulation of inventories, efficient stores issues reduce down time in production and increase profits..., periodic review detects obsolete and non moving items and helps get rid of unproductive inventory, follow up with purchase avoid stock outs and consequently the production loss, proper record keeping provides exact picture of inventory in stores to top management.

**63.Explain the factors for promoting goodwill between buyer and supplier.**

Ans.1. Fairness: (a) Give a supplier's representatives a full, prompt and courteous hearing on any subject that is justified by the nature of products they sell

(b) Keep competition open and fair.

© Decline to take advantage of seller's error.

(d) Keep specifications clear and avoid ambiguous specifications.

(e) Avoid rejection of petty items for petty reasons.

2. Integrity: (a) Observe e strict truthfulness in all your transactions with the suppliers (b) Do not divulge the details of a question received from one supplier to another.

3. Service: (a) Always be prompt and courteous an all your correspondence,

(b) Expedite where ever possible tests of samples submitted by suppliers and inform them of the results immediately

© Furnish complete information while calling fort the quotations, by sending the supplier's sample, blueprints etc.

(d) Have an efficient follow up system.

4. Progressiveness: (a) Keep open mind on new methods and materials offered, do not be conservative in your approach. (b) Encourage conducting of test or trial on materials that may be of value to your company,(c) visit the major sources of supply to keep yourself informed about their stability and methods,(d) Be quality minded as a general rule.

**64. Explain the factors that influence the selection of material handling system.**

Ans:.

1. Nature of operations:-For intermittent industries with process layout, prime requirement of material handling is volume of load. for continuous industries using line or product layout, some direct means of transportation between various operation are required.

2. Lay out of the plant: Lay out and material handling problems are not separable so they should be considered jointly.



3. Building Construction: The equipment used for material handling should be such that no undue loads or other strains be placed on the structural members of the building.
4. Materials to be handled-Size and shape, quantity and weight, characteristics and susceptibility to damage during handling.
5. Distance over which the material is to be moved-Fixed, long distance and work station.
6. Installation and operating cost-Initial investment, operating and maintenance cost.
7. Engineering factors- Door and ceiling dimensions, floor conditions, traffic safety strength.
8. Equipment Reliability:-Use of standard components, service facilities and supplier reputation.