Date : 03/04/2018   Max Marks : **50**   Time duration 3 hrs

Instructions: Q*uestion 1 is compulsory*.
                          Draw sketch/diagram wherever applicable

Question 1 : **Case Study**   **(10 marks)**

The Eagle Machine Company has fallen on bad times. Eagle, a maker of specially restaurant equipment, has sales totaling Rs. 72 million, but sales are declining while costs continue to increase. If things continue in this direction, Eagle soon may have to close its doors. At a special management meeting, the president lays it on the line! He demands that the firm break even in the remaining quarter of the year. For next year, he calls for profits of 5 percent, a 20 percent increase in sales, and deeper cuts in labor, material and overhead. Later in the day, the President calls Mr. Manoharan, V. P. – Finance & Accounts, in for a discussion.
"Manoharan, I want you Finance & Accounts people to carry the ball at the start of this game. We can't get sales moving for six months. But you can improve your housekeeping – and Eagle's profits - right away. Just think what you can do to that chart! Every penny you save is profit! So take a close look at what we buy & what we sell. I don't care how you make your savings – by negotiations, inventories, imports, anything. But put at the screws on tight – right away!

"Start with inventories, they're sky-high. So get together with manufacturing on a 10 percent cut! We've got Rs. 12 million worth of materials stashed away around here, and a 10 percent cut would save at least Rs. 300,000 a year in carrying charges. At the same time, get your payroll and operating expenses down 10 percent. That's in line with our company wide cutback. I know this hurts, Manoharan, because we have got some mighty fine people here in purchasing, but we can't be sentimental these days. Our overhead has got to come down or we're dead! "I'm having an executive committee meeting in one week. Have your plans ready by that time! We're betting on you, Manoharan. You've got to get us out of the hole. I know you can do it." Please interact and develop a harmonious proposal.

Mr. Manoharan starts a review along with other depts. The purchase total only Rs. 43.2 million per year. Eagles buy a wide variety of materials, ranging from a few kgs of rare metals to sizable quantities of sheet metal. A big part of the Rupee volume is in nonferrous castings, forgings, stampings, fasteners, and subassemblies. The purchasing department consists of one Sr. Manager, three buyers, and four clerks. Salaries, fringes, and expenses some to Rs. 370,000 a year. The purchasing department is responsible only for buying and

expediting; the manufacturing manager handles production, inventory control, receiving, and traffic. Manoharan reports to the president, as do other department heads.Manoharan learns from inventory control that raw stock inventory is Rs. 12.2 million. The marketing manager controls finished goods stocks. Manoharan wonders how he can deliver the cost reduction program.

Questions:

1. What actions should Manoharan take to reduce inventories by 10 percent?

2. In what ways could the cost of goods purchased be reduced?

Question 2 : Answer **(any one)**   **(10 marks)**

2A ." Value added services in warehousing can be used to gain a competitive edge in the market." Cite a few examples to support this statement.
2B. What are the various improvements you would suggest to make a Supply Chain more effective?

Question 3 : Answer **(any two)**   **(5*2= 10 marks)**

3A. What advantages does DRP have over a fair share method of inventory deployment?
3B. How does a good Logistics Information system help increase the bottom line of companies?
3C. Inventory is considered as a necessary evil. What functions of inventory aid in the smooth running of the supply chain?

Question 4 : Answer **(any two)**   **(5*2= 10 marks)**

i) What are the issues to be considered before outsourcing?
ii) Describe the Square Root Law.
iii) Economic order quantity – Explain.

Question 5: Write short notes on :) **(any two)**   **(5*2= 10 marks)**

i)   3 PL/4PL logistics ii) Packaging iii) Cross docking.

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