



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**FIRST YEAR SECOND SEMESTER EXAMINATION FOR DIPLOMA IN  
PROCUREMENT AND SUPPLY CHAIN MANAGEMENT**

**CITY CAMPUS- DAY**

**ADB 0132: STORES AND INVENTORY MANAGEMENT**

**Date:** 24<sup>th</sup> November, 2016

**Time:** 9.00 - 12.00pm

**INSTRUCTIONS:**

- Answer Question ONE (Compulsory) and any other TWO.

### QUESTION ONE

- (a) Define Inventory Management (2marks)
- (b) Discuss 3 role of inventory and purchasing in business (6 marks)
- (c) Explain four objectives of inventory management (4marks)
- (d) Explain four types of inventories (4 marks)
- e) The data below relates to records of activities of a store during the month of November, 2016 for Company X YZ

<u>Month</u>	<u>Date</u>	<u>Units Received/ Issued</u>	<u>Price/Unit</u>
May	2	800 Received	20
	8	300 Received	22
	10	400 Issued	
	15	300 Issued	
	20	600 Received	30
	25	300 Issued	
	27	400 Received	26

**Required:**

- (i) Prepare a LIFO ledger (10 marks)
- (ii) Explain four methods of valuing material issues (4 marks)

### QUESTION TWO

- (a) Briefly explain the physical features of ideal stores (4 Marks)
- (b) Briefly explain major reasons for holding inventory (6 Marks)
- (b) Discuss at least five major responsibilities that are carried by any stores (10 marks)

### QUESTION THREE

- (a) Discuss the relationships between stores and the following departments (8 marks)
- (i) Stores and purchasing
  - (ii) Stores and Accounts
  - (iii) Stores and Sales
  - (iv) Stores and Finance
- (b) Outline the role of MIS in an inventory system (4Marks)
- (c) Name 3 Types of inventory management system (4Marks)
- (d) The Materials analyzed for Y Company L.T.D has forecasted the following data in respect of Material MCY6.

Maximum consumption = 600 Units  
Normal Consumption = 200 Units  
Minimum Consumption = 200 Units  
The Re-order Quantity = 200 Units  
Order period = 4 – 6 weeks

**Calculate:**

Re-order Level (1Mark)  
Minimum Stock Level (1Mark)  
Maximum Stock Level (1Mark)

### QUESTION FOUR

- (i) There are basically two broad classifications of stores. Discuss at least six types of functional stores. (12Marks)
- (ii) Discuss key performance indicators of good Inventory Management. (8 marks)

### QUESTION FIVE

- (a) Name 3 major Types of distribution systems (6 marks)
- (b) Explain **Four** factors to consider while putting up a warehouse (4 marks)
- (c) What are the major objectives of a warehouse (4 marks)
- (d) What is the difference between Lead Time and Order Cycles (4 marks)
- (e) Explain the meaning of “just in time delivery” (2 marks)