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**University Examinations 2014/2015**

SECOND YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR DEGREE OF BACHELOR OF COMMERCE

**BBS 3278: PROCUREMENT AND LOGISTICS MANAGEMENT**

**DATE: OCTOBER 2015 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

Hencart is a company involved in producing and selling papers. The company started ten years ago with a procurement manager, accountant and a marketing manager. The company has seen tremendous growth during its operations. For instance, in 2007, the company reported an increase averaging 30 percent on its sales and by 2010; the company’s workforce had increased from 11 to 46 employees. The manager, Mr.G.M Stalker who is also the owner was very pleased by the progress of his company and therefore started building hopes of diversifying to production of other products such as drinking beverages in form of canned juices and yoghurts.

Achieving volume sales at a low margins, targeting the major retail chains of its customers has been the traditional way of Hencart marketing strategy. However, with the owner’s new idea, the policy is currently under review by the management which is largely made up of new graduate employees. The management is also keen in handling problems posed by among them; frequent disagreement between cross functional department which has its own resources and more often than not refuses to cooperate with others. For example, the procurement department purchased rail trolleys which were only used twice a week and few hours per day unlike the band trolleys which were more needed but few in availability in the company.

Having this in mind, Mr. Stalker called upon for a meeting and resulted in selling his ideas which were well received and plans were put in place to start manufacturing the juices and yoghurt. However, for this to take place, large capital investment was needed and also believed procurement and logistics personnel can bring his dream to reality. He has decided to appoint a new director with much experience who will be responsible for an effective and efficient logistics operations unlike the new and young. Staff already in place.

Assuming you are the new director of procurement and logistics in Hencart company. You are asked to undertake the following:

1. Identify the problems faced by Hencarts in its overall operations. (5 Marks)
2. How would you harmonise the disagreements between the department in Hencart. (10 Marks)
3. Suggest a range of indicators that could be used to discuss the performance of the new logistics operations. (8 Marks)
4. What are some of the logistics objectives that you should be looking at. (7 Marks)

**QUESTION TWO (20 MARKS)**

Technological advancement and globalization coupled with stiff competition has required business operators to rethink the way they manage the procurement and logistics operations:

1. Identify and discuss the various reasons why management keep changing on its logistics operations. (10 Marks)
2. Examine the role of logistics in customer service strategy. (10 Marks)

**QUESTION THREE (20 MARKS)**

1. Analyze two merits and demerits of air transport. (6 Marks)
2. Differentiate between Public and Private Procurement. (4 Marks)
3. Explain the concept of material requirement planning and its benefits in an organization (5 Marks)
4. Write shorts notes on inventory management and its significance to an organization. (5 Marks)

**QUESTION FOUR (20 MARKS)**

In the increasing conscience focused market place of 21 century, the demand for an efficient business processes and actions is increasing.

1. Analyze the reason why businesses are hiring procurement professionals. (7 Marks)
2. Examine the considerations you would put in place while planning for a warehouse. (5 Marks)
3. Discuss the concept of ‘Inventory Management’ highlight its key functions. (8 Marks)

**QUESTION FIVE (20 MARKS)**

Recognizing the problem area is one of the first steps in determining when the opportunities exist for improving logistics performance.

1. Discuss the benefits of having an efficient and effective logistics system. (6 Marks)
2. Critically discuss the key supply chain process used in organization. (8 Marks)
3. Analyze the drivers in logistics systems and supply chain. (6 Marks)