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**University Examinations 2015/2016**

SECOND YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE,

**BBS 3255: PROCUREMENT AND LOGISTIC MANAGEMENT**

**DATE: NOVEMBER 2015 TIME: 2HOURS**

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

**SECTION A. COMPULSORY**

**QUESTION ONE (30 MARKS)**

**MEGA OPERATIONS LTD.**

Mega Operations (M O) is involved in production and distribution of goods products. In the past, It produced nearly all of its products inhouse. However, over the last three years, more than half of it’s production has been outsourced. It currently has a sale turnover of $550 million and a net of $ 50 millions. Profits have been falling over the last few years.

Mega Operations had been structured in a traditional way with production, purchasing, distribution and transport, finance, marketing and sales personnel departments.

There is very little cross functional cooperation. Policies tend to be based on what is best for particular function rather than adopting a more cooperative approach based on what is a best for the organization as a whole.

The approach is leading to numerous problems particularly in the area of stores reporting to purchasing, distribution and transport reporting to marketing. Each function has its own resources and refuses to cooperate in any sharing of resources; for example the stock department recently purchased several folk lights trucks which are only used for three to four hour per day.

While transport and distribution has suffered from delays in dispatching deliveries due to lack of material handling equipment.

Management meetings are often affected by functional infighting. The production manger believes that holding large quantities of inventory is essential to safeguard flexibility. The marketing manager also wants to hold plentiful supplies of stock to guarantee a 100% service level, on the other hand procurement manager believes stock levels are high and would like to see stock held by suppliers wherever possible.

Don Smith, the new owner of MO believes that things have to change dramatically if the organization is to survive. He believes there has to be a move away from the traditional function approach with it’s narrow and outdated views to an approach that manages the organization, based on what is the best interest of the company as a whole. He believes that substantial improvement can be achieved in the procurement and logistics area if they are combined. Don has also decided to appoint a new Director responsible for an effective and efficient logistics Operation including purchasing/distribution and transport.

Assuming the role of the new director in MO, you are asked to undertake the following;

1. Identify the problems faced by MO in its overall operations (5 Marks)
2. Evaluate the differing view relating to stock holding of Mega Operation giving argument for and against such a view (10 Marks)
3. Suggest a range of indicators that could be used to access the performance of the new logistics operations (8 Marks)
4. What are some of the logistics objectives directions the new director should be looking at(7 Marks)

**QUESTION TWO (20 MARKS)**

Mr. Mugambi is a logistics manager in MKJ manufacturing company based in Embu. Due to the changing environment, Mr. Mugambi has no option other than change the w ay he does his job.

1. Discuss the various reasons as to why logistics managers are changing the way they are doing

their job. (10 Marks)

1. One of the most important aspects of inventory decision making is to ensure the company gets quality products at the minimum costs possible. Discuss the decision for buying inventory against those of making (5 Marks)
2. Examine the consideration you would put in place while planning for a warehouse. (5 Marks)

**QUESTION THREE (20 MARKS)**

1. Recognising the problems are is one of the first steps in determining when the opportunities exist for improving logistics performance.
2. Discuss the benefits of having an efficient and effective logistics systems (6 Marks)
3. Critically discuss the key supply chain process used in an organization (8 Marks)
4. Explain in details “Global logistics and Revise logistics (6 Marks)

**QUESTION FOUR (20 MARKS)**

MBANGO PLC is a company that manufactures and distributes food stuff and other related products in central Kenya, with the increasing demand for the products especially Natural Honey, the company wishes to expand it’s operations and at the same time improvise a means to improve performance in its transportation and physical distribution systems.

1. Identify and explain the performance measures that can be used for measuring performance of the transport and distribute systems of the company. (8 Marks)
2. With the reference to the case of MBANGO the, critically evaluate the case of outgoing transport and distribution activity to a third provided. (6 Marks)
3. Identify and discuss the logistics consideration that can be associated with global logistics

(6 Marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss the concept of “Inventory management”, highlighting it’s key functions. (8 Marks)
2. Explain how a material requirement planning (MRP) operates and show it’s significance in a manufacturing firm. (7 Marks)
3. Distinguish between procurement and purchasing (5 Marks)