



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

**THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION
(PROCUREMENT OPTION) WITH INFORMATION
TECHNOLOGY**

CITY CAMPUS -EVENING

ABA 342: PROCUREMENT RECORDS AND INVENTORY MANAGEMENT

Date: 19th January, 2018

Time: 5.30 - 7.30pm

INSTRUCTIONS:

- Answer Question ONE and any other THREE
- Do not write on the question paper



QUESTION ONE (COMPULSORY)

- a. The Sure To Peel Paint Company stores all its metal compressed gas containers in a warehouse. These long cylindrical metal tanks contain various gases used in manufacturing cans of spray paint. The gas tanks are delivered to the warehouse by truck. Two receiving dock workers unload the containers from the delivery trucks and place them on four wheel trucks. Two materials handlers are responsible for pushing the loaded trucks into the warehouse, unloading the tanks and setting them up on end.

The two materials handlers spend a major portion of their day moving loads of the gas tanks into the warehouse and placing them into the proper storage locations. In total, there are five different types of gases that in equal proportion make up 98% of all gas handled.

Management would like you to identify a better way to handle these gas tanks. How can the handling operation be improved. (8 marks)

- b. Hughes Distributing Company, a southwestern distributor of health and beauty supplies is faced with a housekeeping problem in their receiving areas. On several visits to these departments, the plant engineer has found them cluttered with trash and empty cardboard shipping cartons. An examination of the receiving operations indicates that when a large shipment of material is received the items are removed from their shipping cartons and placed on racks. The empty cartons and packing materials are left on the floor. Periodically, or when the order unpackers cannot move, someone flattens and stacks these refuse materials.

Suggest a method for reducing or eliminating this housekeeping problem. (5 Marks)

- c. Explain the importance of record management in procurement. (5 Marks)
- d. Demand for an item is constant at 1,000 units a year. Unit cost is KShs. 50, reorder cost is KShs. 100, holding cost is 25 per cent of value a year and no shortages are allowed. Describe an optimal inventory policy for the item. What order size will give a variable cost within 10 per cent of optimal? What is the cost if suppliers only make deliveries of 200 units? (4 Marks)

- e. If demand for an item is 10 units a week, the economic order quantity is 30 units and the lead time is 7 weeks, how many orders will be outstanding when it is time to place another order? (3 Marks)

QUESTION TWO

- a. Explain the essential difference between independent demand and dependent demand methods of inventory control? (4 Marks)
- b. 'Independent demand methods cannot be used for batch production or sporadic demand'. Do you agree with statement? Explain. (4 Marks)
- c. Materials Resource Planning (MRP) really give better results than independent demand approaches? Give some examples to support your views. (7 Marks)

QUESTION THREE

- a. Explain Just in Time (JIT) concept. (2 Marks)
- b. JIT aims for simple operations; MRP designs huge, complicated systems. Explain the main differences and similarities between these two approaches (8 Marks)
- c. If you were in hospital and needing a blood transfusion, would you rather the transfusion service used an independent demand method of controlling stocks of blood, or a just-in-time system. Explain your answer. (5 Marks)

QUESTION FOUR

- a. Discuss the key features of a procurement records management system. (8 Marks)
- b. Explain the factors to consider while selecting a records management software. (7 Marks)

QUESTION FIVE

- a. Good customer service comes when stocks of finished goods are as close as possible to final customers. Do you agree with this? Explain. (5 Marks)
- b. Many trends in business have a direct impact on stock management, which are the most important trends currently. (5 Marks)
- c. Explain the main purpose of measuring inventory performance. (5 Marks)