

Tutorial Letter 201/1/2018

Purchasing Management

MNP2601

Semester 1

Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management

This tutorial letter contains the **answers to the assignments** and **guidelines on the format of the examination**.

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Dear Student

1 INTRODUCTION

This tutorial letter contains the answers to Assignments 01 and 02, as well as the format of the examination paper.

2 GUIDELINES ON ANSWERING ASSIGNMENT 01

Assignment 01 was compulsory, which means you had to submit it to gain admission to the examination. Your marks for both Assignments 01 and 02 will contribute to your year mark. The correct options for the multiple-choice questions, an explanation for these answers and the appropriate chapters in the prescribed book are indicated below. The questions from TL101 are included to facilitate following the answers. You can expect similar questions in the examination.

Question 1

If a company adopts the philosophy of lean manufacturing, they would typically say the following:

- [1] "By keeping large inventories of raw materials, even if not used in manufacturing, we will be prepared to respond to customers' orders when they come in."
- [2] "If we have more work stations at the plant, we can employ more people in the manufacturing process."
- [3] "By simplifying our work environment, we can reduce waste and keep our employees, equipment and workspace responsive to current needs."
- [4] "We have invested large sums of capital in these advanced machines; therefore, we need to get maximum return on our investment before meeting changing demands."

Answer: Option 3 (Chapter 1 of the prescribed book)

This question shows that you should truly comprehend the concepts discussed in the prescribed book. If you need more information than what is provided in the prescribed book to grasp a concept, you are encouraged to find further explanations and examples from other sources. Lean manufacturing is about having the most effective (thus economical) manufacturing processes. Options 1, 2 and 4 are typical ways of being ineffective and slow to respond, and should be avoided if a philosophy of lean manufacturing is adopted.

Question 2

During the control task, the activity of evaluating the performance of the purchasing and supply function should be based on **both** the following critical dimensions:

- [1] tactical and strategic objectives
- [2] centralisation and decentralisation
- [3] quantitative and qualitative bases
- [4] cost reduction and income increase

Answer (Option 3, Chapter 2 of the prescribed book)

The performance evaluation of the purchasing and supply function should include BOTH objective/quantitative and subjective/qualitative dimensions. Option 1 refers to the management task of planning and coordination, while option 2 refers to the management task of organising. Option 4 refers both to quantitative aspects.

Question 3

Assume that the purchasing manager at Amazon.com (an online retailer) is requested to submit a report on suppliers in accordance with the policy guidelines of the organisation. In his report, he lists the different types of suppliers and their dealings with Amazon.com. Which one of the following best describes a situation where the purchasing function of Amazon.com buys more than half of a supplier's production of video games?

- [1] unreliable suppliers
- [2] suppliers' specialised knowledge
- [3] captive suppliers
- [4] reciprocal suppliers

Answer: Option 3 (Chapter 4 of the prescribed book)

A captive supplier implies that the purchasing function of Amazon.com buys more than half of a supplier's production of video games. This can result in the supplier being dependent on Amazon.com. Option 1 (unreliable suppliers) is irrelevant in terms of the definition of captive suppliers and refers to a non-cost factor that should be considered in the outsourcing decision. If Amazon.com is not satisfied with the performance of a supplier of video games over a period of time, the chances are that the supplier will never perform efficiently and no future orders will be placed with the supplier. Option 2 (suppliers' specialised knowledge) is another non-cost factor in the decision to outsource. Amazon.com seems to have the specialised knowledge and does constant research to produce and sell the Kindle Fire and therefore keeps the activity internally. Option 4 (reciprocal suppliers) is not mentioned as such in the prescribed book, but it should be mentioned that reciprocity could be where Amazon.com buys from a supplier because that supplier buys from Amazon.com.

Question 4

The following principle should be kept in mind when evaluating purchasing and supply performance:

- [1] It would be best to use the generic evaluation system that is available to evaluate purchasing and supply performance.
- [2] Quantitative measures give the best and most accurate indication of purchasing and supply performance.
- [3] As long as the benefits equal the costs, the evaluation system for evaluating purchasing and supply performance is effective.
- [4] A sound database with information on a wide spectrum of purchasing and supply activities is necessary to evaluate performance.

Answer: Option 4 (Chapter 2 of the prescribed book)

Option 4 mentions the crucial element of having sufficient and relevant information available during performance evaluation. Option 1 is incorrect, since there is no generic evaluation system that is suitable for performance evaluation in all organisations. Option 2 should have included qualitative measures in order to be correct. Option 3 is incorrect, since the benefits should outweigh the costs.

Question 5

When determining responsibilities in the purchasing and supply process, the ... function has the primary responsibility to contact the supplier base about faulty consignments.

- [1] receiving
- [2] inspection
- [3] financial
- [4] purchasing

Answer: Option 4 (Chapter 3 of the prescribed book)

Although all the above functions play a role in the purchasing process, the purchasing function has the primary responsibility to communicate with suppliers (especially when incorrect orders are received).

Question 6

Expediting an order in the purchasing and supply context implies that the purchasing official firstly ...

- [1] obtains advanced technology to speed up the process.
- [2] phones the supplier to save time to discuss future relationships.
- [3] monitors the supplier's progress with the order.
- [4] suggests lean manufacturing as a stream-lined process.

Answer: Option 3 (Chapter 3 of the prescribed book)

In the purchasing and supply context, the concept of expediting does not imply focussing the effort on speeding up the process but rather on evaluating the supplier's progress with the order. If the supplier falls behind, the purchasing official might suggest solutions to problems – which could include options 1 and 4. Option 2 is irrelevant since expediting relates to the current order; however, if the purchasing official had phoned to ask about the progress of a specific order that has been placed (thus not about future relationships), option 2 would have been correct.

Question 7

When buying specialised equipment, the purchasing procedures might require that requisitions exceeding a predetermined amount be accompanied by two or three written quotations. In such cases, the ... has the prerogative of selecting the supplier.

- [1] user
- [2] purchasing official
- [3] specialised equipment specialist
- [4] financial function

Answer: Option 2 (Chapter 3 of the prescribed book)

The decision regarding what supplier to choose still lies with the purchasing department. The other parties might advise or support, but the ultimate decision lies with the purchasing department.

Question 8

The usual procedure for selecting suppliers of standard items in relatively small quantities would be to choose the supplier ...

- [1] after following a comprehensive procedure for supplier selection.
- [2] as recommended on the requisition by the user function.
- [3] which seems to be the best one from three or four suggested suppliers.
- [4] which submitted a complete quotation.

Answer: Option 2 (Chapter 3 of the prescribed book)

In this case, the items are standard and bought in relatively small quantities which do not warrant an extensive process; therefore, the suppliers indicated by the user function on the requisition would most probably be chosen. Option 1 is mainly for high-value orders over relatively long periods of time, while option 3 is more applicable when submitting travelling requisitions for standard inventory items where an open-ended contract has been negotiated. Option 4 relates to purchasing highly-specialised equipment according to the specifications of the user function.

Question 9

When making the decision to insource or outsource, which one of the following options is most suitable when a buying organisation is more competent in performing an activity than a potential supplier?

- [1] Outsource to any external supplier that has the capability to perform the activity.
- [2] Outsource a core activity even though it gives a competitive advantage.
- [3] Invest in disadvantaged suppliers to create their capability to perform the activity in-house at their premises.
- [4] Keep the activity in-house and invest to maintain and increase competitive advantage.

Answer: Option 4 (Chapter 4 of the prescribed book)

Since the organisation is able to perform the activity better than any other supplier, the most prudent option would be to continue to insource the activity and continue to invest in its capability to ensure that it stays abreast of the rest of the market. If competence lies inside the business, the mere capability of another supplier would not necessarily sway the decision to outsource (options 1 and 3). Option 2 is also incorrect, since a core activity that provides a competitive advantage should be insourced rather than outsourced to protect interests.

Question 10

Non-cost factors should also be considered in the outsourcing decision. A non-cost factor, such as ... would compel the organisation to perform an activity internally when style plays an unusually important role and patents do not provide sufficient protection against emulation.

- [1] quality control
- [2] workforce stability
- [3] design secrecy
- [4] market share

Answer: Option 3 (Chapter 4 of the prescribed book)

Options 1, 2 and 3 would all be non-cost factors (as opposed to cost factors, such as option 4) to consider in the decision of whether or not to outsource. If patents do not provide the necessary protection in a highly competitive market, insourcing would be the safest option. Quality control (option 1) would be a non-cost factor when an organisation wants to ensure that a critical product is always available (therefore, a decision to insource). Insourcing would also be an option if other suppliers cannot adhere to the organisation's quality requirements. If the

workforce is unstable, insourcing would be a better option than being exposed to instability, which would still make option 2 a non-cost factor but an irrelevant factor in terms of the question.

Question 11

... is when an organisation decides to partially transfer the activities of a function to a supplier outside while keeping the rest of the activities in-house.

- [1] Outsourcing
- [2] Insourcing
- [3] Co-sourcing
- [4] Back-sourcing

Answer: Option 3 (Chapter 4 of the prescribed book)

The term "co-sourcing" is used for the partial outsourcing of functions or activities. With insourcing and outsourcing, the entire activity is done either internally (insourcing) or subcontracted to an external party (outsourcing). Option 4 is incorrect and beyond the scope of this module.

Question 12

Reciprocity is a practice where ...

- [1] suppliers, who are also customers of the organisation, enjoy preferential treatment.
- [2] the supplier is directly or indirectly owned by the purchasing organisation.
- [3] the buyer buys from a supplier that employs or is owned by a family member of the buyer.
- [4] a purchasing organisation buys more than half of the supplier's production.

Answer: Option 1 (Chapter 4 of the prescribed book)

Reciprocity is when suppliers are also customers of the purchasing organisation and enjoy preferential treatment as a result. Ownership (options 2 and 3) is irrelevant in terms of the definition of reciprocity. Option 4 refers to a captive supplier.

Question 13

A typical example of a qualitative performance indicator for evaluating purchasing and supply activities in the organisation is the ... the purchasing and supply function.

- [1] negotiation ability of
- [2] promptness factor achieved by
- [3] rejection ratio of consignments by
- [4] outstanding orders of

Answer: Option 1 (Chapter 2 of the prescribed book)

Option 1 refers to the qualitative subjective metrics available for performance evaluation and is difficult to measure. All the other options can be calculated, resulting in them being objective/quantitative metrics to measure performance.

You were asked in MCQ14-20 to complete the table on the weighted average method. The completed table are presented below.

Criteria	Weight	SUPPLIER A		SUPPLIER B		SUPPLIER C		SUPPLIER D	
		Scale (1–5)	Score	Scale (1–5)	Score	Scale (1–5)	Score	Scale (1–5)	Score
On-time delivery	40	4	160	4	160	2	80	2	80
Price	35	3	105	4	140	1	35	2	70
Quality product	15	3	45	4	60	1	15	1	15
After-sales service	10	1	10	1	10	4	40	1	10
TOTAL	100		320		<u>370</u>		170		175

Question 14

When using the weighted average method to determine the selected suppliers' performance, the following best describes the criteria (shown in the table) according to which the suppliers are evaluated:

- [1] After-sales service is not important when evaluating the suppliers' performance.
- [2] Suppliers A, B, C and D should all score the highest in terms of on-time delivery as the most important criterion.
- [3] The decision on which criteria to use is one of the subjective (qualitative) parts of this method.
- [4] Once criteria are selected, they will remain the criteria that management will use to evaluate current and future suppliers' performance.

Answer: Option 3 (Chapter 5 of the prescribed book)

Although the weighted average method seems like a quantitative method, decisions (such as what criteria to use, the weights assigned to the criteria and even the scores obtained) are based on management's subjective evaluation. In terms of option 2, it should be noted that although the on-time delivery criterion carries the highest weight, it does not imply that all the potential suppliers should score the highest on that specific criterion. The fact that more than one criterion are used can result in a situation where the scores on other criteria would also play a role and influence the overall score. Finally, in terms of option 4, it should be noted that depending on the situation, the criteria can be changed to find a suitable supplier for a specific situation. Therefore, the criteria are not set in stone and need not be used for all suppliers all the time.

Question 15

When using the weighted average method to identify the most suitable supplier, the calculations in the above table shows that Supplier ... is the best supplier in this situation. (To answer the question, the table should be completed by doing the necessary calculations.)

- [1] A
- [2] B
- [3] C
- [4] D

Answer: Option 2 (Chapter 5 of the prescribed book)

Supplier B has the highest score of 370, making this supplier the most appropriate one given the criteria decided upon by management. Supplier A scored 320, Supplier C 170 and Supplier D 175.

Question 16

When only focussing on the suppliers' scores for **price**, the Supplier C's score of 35 can be interpreted as follows:

- [1] Supplier C offers the highest-priced product compared to the other suppliers.
- [2] Supplier C offers the lowest-priced product compared to the other suppliers.
- [3] Supplier C will be eliminated from the list due to its low score for the price criterion.
- [4] Supplier C seems confident that having the lowest price will compensate for the perception of poor quality.

Answer: Option 1 (Chapter 5 of the prescribed book)

If management decides to include price in the list of criteria to be considered, this would probably imply that they want a cost-effective price to save on purchasing costs. Therefore, if a supplier gets a low score for that criterion, it would imply that the price charged is not good from the perspective of the buying organisation (most probably too high). If Supplier C offered the lowest-priced product compared to the other suppliers (option 2), it would have scored the highest in terms of price. Option 3 is incorrect in that a low score for one criterion would not lead to the supplier being removed from the list of potential suppliers based on the low score. Option 4 is also irrelevant, since Supplier C does not offer the lowest price (based on the score received for price).

Question 17

If quality was the ONLY criterium used when deciding on the best supplier, which supplier would be the most obvious one to select?

- [1] Supplier A
- [2] Supplier B
- [3] Supplier C
- [4] Supplier D

Answer: Option 2 (Chapter 5 of the prescribed book)

If only one criterion is used, the weighted average method need not be used. Where only one criterion (in this case quality) will determine the choice of supplier, the one with the highest score for that criterion (as the only criterion) will be the best choice. Supplier B received the highest score, followed by Supplier A and then Suppliers C and D (which obtained the same low score for quality).

Question 18

The most important criteria when choosing a supplier in this case is:

- [1] Quality
- [2] Price
- [3] On-time delivery
- [4] After-sales service

Answer: Option 3 (Chapter 4 of the prescribed book)

Based on the highest weight (weight of 40) assigned to on-time delivery, this criterium is the most important in this case.

Question 19

Supplier C had a rating (scale) of only 1 for price, which means that Supplier C ...

- [1] charges a marginally lower price than Supplier D.
- [2] scores the best of all suppliers on price.
- [3] and Supplier B are the main suppliers to consider.
- [4] is the most expensive supplier.

Answer: Option 4 (Chapter 5 of the prescribed book)

If a supplier scores a relatively low score compared to others it means that the supplier compares the poorest. If price is considered by the decision-maker it means that price should be competitive. By scoring low would imply that Supplier C's price is not (actually the least) favourable, which implies that Supplier C is expensive.

Question 20

(Before you answer this question, change the weight for quality product to 25 and ignore after-sales service as a criterion.)

If the criteria of on-time delivery, price and quality product were the only three criteria used in evaluating the potential suppliers, which supplier would be the best supplier (use the scales in the table)?

- [1] Supplier A
- [2] Supplier B
- [3] Supplier C
- [4] Supplier D

Answer: Option 2 (Chapter 5 of the prescribed book)

When changing the weight and using the same scores obtained for the three criteria mentioned, the new subtotals will be 340 for Supplier A, 400 for Supplier B, 140 for Supplier C and 175 for Supplier D. It seems that even with the three criteria according to which the potential suppliers are evaluated, Supplier B seems to be the best choice due to the highest score obtained.

3 GUIDELINES ON ANSWERING ASSIGNMENT 02

Your marks for both Assignments 01 and 02 will contribute to your year mark. The correct options for the multiple-choice questions in assignment, an explanation for these answers and the appropriate sections in the prescribed book are indicated below. You can expect similar questions in the examination.

Question 1

The fact that Amatole district municipality initially awarded the contract to the Siyenza Group instead of a local organisation in the Eastern Cape means that they neglected to consider ... as a supplier selection criteria.

- [1] quality accreditation
- [2] on-time delivery
- [3] excellent service
- [4] geographic location

Answer: Option 4 (Chapter 5 of the prescribed book)

All the alternatives refer to supplier assessment criteria, but option 4 (geographic location) refers to assessing suppliers in terms of their location in relation to the purchasing organisation. Amatole municipality, situated in the Eastern Cape, did not assess other Eastern Cape suppliers and directly contracted the Siyenza Group in the distant region of the Northern Cape.

Question 2

The fact that the Treasury is reviewing the legislative framework for supply chain management by the government will lessen the ... risk in government procurement.

- [1] core business
- [2] external downside
- [3] operational
- [4] speculative

Answer: Option 2 (Chapter 6 of the prescribed book)

All the options refer to possible risks that can be encountered, but the government laws pertaining to purchasing are listed as an example of an external downside risk (option 2) in the prescribed book. Due to a lack of control over external factors, purchasers cannot manage such factors, which pose an external downside risk. If government wants to improve purchasing laws, it is expected that organisations will be more protected, which will reduce their risk (known as external downside risk). Core business risk (option 1), which is a type of speculative risk (option 4) and operational risk (option 3) are all inherent to the organisation.

Question 3

An example of *internal service quality* in the case study would be the following:

- [1] Amatole's purchasing team has an obligation towards the different municipality departments to contract the most cost-effective supplier of quality toilets.
- [2] The Siyenza Group was awarded the contract based on political connections and not by following regular tender processes.
- [3] The Northern Cape supplier was able to provide about 6600 toilets in many villages in their region.
- [4] The Amatole district municipality cancelled its contract with the Siyenza Group due to tax certificates not issued by South African Revenue Services (SARS).

Answer: Option 1 (Chapter 7 of the prescribed book)

The concept of *internal service quality* refers to the realisation of *internal* suppliers (purchasers) to provide quality service to *internal* customers (other functions). Therefore, option 1 is an example where the purchasing group at Amatole municipality realises that other municipality departments are dependent on their purchasing decisions to be able to provide quality toilets to their external customers in villages who are in need of those toilets. The Siyenza Group (options 2 and 4) and the Northern Cape supplier (option 3) are *external* suppliers.

Question 4

Since cost-efficiency was not considered when the contract was initially awarded to the Siyenza Group, an *unfair* price for the toilets was determined, which means that ...

- [1] the lowest price that could ensure the continuous supply of quality toilets by the Siyenza Group was not negotiated.
- [2] the price of toilets asked by the Siyenza Group was determined by active competing suppliers in a competitive market.
- [3] the price of toilets is in reasonable proportion to the total manufacturing costs of the Siyenza Group.
- [4] the price determined for toilets was reasonable to both Amatole municipality and the Siyenza Group.

Answer: Option 1 (Chapter 8 of the prescribed book)

Option 1 is the correct option, since an unfair price would be the result of not negotiating the lowest price to ensure the continuous supply of proper quality products. From the case is seen that cost-effectiveness was not considered when the Siyenza Group was contracted.

If the price would have been determined by active competition in a competitive market, the price would have been fair (making option 2 incorrect).

Since the Siyenza Group would probably gain unfair profits due to their unfair advantage, option 3 (which refers to the opposite situation) is not the correct option.

Option 4 is also incorrect, since the other suppliers were not offered the option to participate in the supply market to tender for the contract.

Question 5

In the classification of inventory, Amatole district municipality will view toilets as ...

- [1] processing inventories.
- [2] maintenance inventories.
- [3] independent demand items.
- [4] reorder product items.

Answer: Option 3 (Chapter 9 of the prescribed book)

Toilets are finished products to be delivered to external customers, which would make them

independent demand items (option 3). Independent demand items are not connected to the demand for other items. The first three options are typical classifications of inventory items (making option 4 irrelevant). Since option 1 (processing inventories) and option 2 (maintenance inventories) do not refer to items in their final state, they are eliminated.

Question 6

In the case study the Amatole District Municipality in the Eastern Cape awarded a contract to Siyenza group for R631- million which was higher than the Northern Cape one. Which supply chain management practice could have prevented this situation?

- [1] Linked database
- [2] Efficient logistics
- [3] Total cost of ownership
- [4] Lean manufacturing

Answer: Option 1 (Chapter 1 of the prescribed book)

Linked database would have been an essential information technology enabler for *information processing within the supply chain* to detect that the Amatole District Municipality in the Eastern Cape awarded a contract to Siyenza group for R631- million which was higher than the Northern Cape one. Options 2, 3 and 4 are not relevant in enhancing information flow.

Question 7

If the Amatole district municipality rationally selected a supplier of toilets by using the weighted-point supplier evaluation, the following evaluation criterium would have been assigned the highest weight, based on the information *provided in the case study*:

- [1] quality
- [2] delivery
- [3] service
- [4] cost

Answer: Option 4 (Chapter 5 of the prescribed book)

Based on the case study, two aspects were neglected when selecting the suppliers of toilets, that is; cost-efficiency and geographic location (local businesses). The case study does not state which one of these two aspects is the most important. When looking at the four options in the question, only cost is listed, which makes option 4 the correct answer. All the other options could also have been important, but are not mentioned in the case study.

Question 8

Purchasers at Amatole district municipality should have known that they operate in a ... market where toilets are similar and easily substituted.

- [1] seller's
- [2] buyer's
- [3] monopolistic
- [4] oligopolistic

Answer: Option 2, (Chapter 8 of the prescribed book)

Option 2 is correct; when products are similar and can be easily substituted, buyers have many active sellers in the market competing for their business. This is known as a buyer's market. In a supplier's market (option 1) the number of suppliers is limited. Option 4 is

characterised by many buyers and a few suppliers and option 3 by many buyers and only one supplier; therefore, these options are incorrect.

Question 9

If the Siyenza Group were contracted for the substantially bigger contract in the Eastern Cape, their *main* reason for holding inventory would be to ...

- [1] hedge against price increases of raw materials.
- [2] save on ordering costs.
- [3] benefit from forward buying.
- [4] continue production.

Answer: Option 4 (Chapter 9 of the prescribed book)

Although all the options are reasons for holding inventory, the most important reason would be that the Siyenza Group would have realised the importance of being able to provide toilets. An interruption in production would have resulted in the Siyenza Group not being able to perform as contracted. Forward buying (option 3) and hedging against prices (option 1) are important in terms of currency fluctuations; however, the case does not state such proneness. Option 2 (savings on ordering costs) is also not mentioned in the case study as being an issue.

Question 10

If the Siyenza Groups were contracted and then failed to adhere to the contractual agreement due to insufficient inventory, the biggest costs they would face are associated with ...

- [1] ordering plastic.
- [2] keeping inventory of finished toilets.
- [3] carrying plastic components.
- [4] maintaining Amatole district municipality's goodwill.

Answer: Option 4 (Chapter 9 of the prescribed book)

When doing inventory planning, management should ensure that the costs of carrying inventory are lower than the costs of having no inventory. In the unfortunate event that the Siyenza Group could not provide, the cost of losing orders from the Amatole district municipality and the subsequent loss of the municipality's goodwill (option 4) would have resulted in major losses for the Siyenza Group. Ordering (option 1) and carrying (option 3) plastic, as well as storing the finished goods (option 2), would also be costly, but not as expensive as losing the contract.

Question 11

If a retailer in Soweto buys merchandise from a wholesaler to resell in his general store to final consumers, the retailer is the wholesaler's ... in a supply chain.

- [1] first-tier customer
- [2] first-tier supplier
- [3] second-tier customer
- [4] second-tier supplier

Answer: Option 1 (See list of definitions in Addendum D in tutorial letter 101)

Option 1 is correct, since a first-tier customer is an organisation's direct customer, who would be the retailer in this case. The customers to whom the retailer sells would be the second-tier customers (option 3). The retailer would not be the wholesaler's supplier, making options 2 and 4 irrelevant.

Question 12

If a general store retailer in Soweto buys merchandise from a wholesaler to resell to final consumers, the general store retailer's customers are the wholesaler's ... in a supply chain.

- [1] first-tier customers
- [2] first-tier suppliers
- [3] second-tier customers
- [4] second-tier suppliers

Answer: Option 3 (See list of definitions in Addendum D in tutorial letter 101)

Option 3 is correct, since the customers to whom the retailer sells would be the second-tier customers of the wholesaler. Option 1 is incorrect, since a first-tier customer is an organisation's direct customer, which would be the retailer in this case. The final customer would not be the wholesaler's supplier, making options 2 and 4 irrelevant.

Question 13

The value chain comprises of *primary* and *support activities* that can lead to a competitive advantage for an organisation when they are configured properly. Which one of the following would be an example of a *primary activity* in the value chain?

- [1] Human resource management
- [2] Technological development
- [3] Purchasing
- [4] Outbound logistics

Answer: Option 4 (See list of definitions in Addendum D in tutorial letter 101)

Option 4 is the correct answer, as outbound logistics will be an example of a primary activity in the value chain. Options 1, 2 and 3 are incorrect as they are all classified as support activities

Question 14

Third-party logistics services (3PLs) are *for-hire outside agents* to which all or much of an organisation's *logistics activities* can be outsourced. Which one of the following would be considered a *logistics activity* that a 3PL could provide?

- [1] Labelling
- [2] Manufacturing
- [3] Technological development
- [4] Purchasing

Answer: Option 1 (See list of definitions in Addendum D in tutorial letter 101)

Option 1 is the correct answer; logistics activities include among others transportation, warehousing, document preparation, customs clearance, packaging, *labelling* and freight bill auditing. Options 2, 3 and 4 are all incorrect as they are not considered logistics activities.

Question 15

The linkages referring to the *two-way* movement and coordination between the different flows in the supply chain implies that ...

- [1] the two flows of goods and information move in the direction towards the end customer.
- [2] information, money and goods can also flow in a reverse direction in the supply chain.
- [3] both inbound and outbound activities on the two sides of the supply chain should be coordinated.
- [4] goods can flow from first-tier customers to second-tier customers.

Answer: Option 2 (See list of definitions in Addendum D in tutorial letter 101)

In a supply chain, the different flows of goods, money and information could move in a forward direction towards the final consumer *and* backwards when goods are, for example, exchanged or recycled; making option 2 the correct answer. The number of flows (option 1) and the two different sides of the supply chain (option 3) are irrelevant in terms of the direction of the flow. Finally, the movement from first-tier to second-tier suppliers (option 4) implies a one-way flow (as part of many different flows) and is therefore incorrect.

4 GUIDELINES ON ANSWERING ESSAY QUESTIONS

It is essential to follow a systematic and technically correct approach to answering essay questions in the examination and for assignments. Students often disregard the importance of a technically correct approach and are consequently awarded unsatisfactory marks. We have found that students struggle to answer essay questions and for this reason, we provide some guidelines.

4.1 Structure and headings

Structure your answers to essay questions and use headings. Under no circumstances should you write **one long paragraph**. This indicates that you do not know how to structure your answer. When you write long, unstructured paragraphs, you tend to deviate from the question asked or you write too much on a single point. You can be penalised for not structuring your answers.

4.2 Relevance

Make sure that your answer is relevant to the question asked. Do not try to integrate irrelevant information into your answer; you will not be given marks for it. Make sure that you identify what is asked and answer the question directly. Unfortunately, some students provide a very thorough and complete discussion on a question that was not asked. These answers are wrong and students will not get marks for it. Also, when you answer case study questions, make sure that your answers are applicable and your examples relate to the case study.

4.3 Answer the entire question

Make sure that you read the question, and answer everything that is asked. Some students only answer a small section of the question and expect full marks. If you answer only 4% of the question, you cannot get more than 40% of the marks. For example, let us assume that a question is asked and that the answer comprises five steps. Let us also assume that each step is approximately the same length and the question is worth 25 marks. If you discuss only the first two steps but manage to write five pages about these two steps, you will not get more than 10 out of 25 for this question because you did not answer the entire question.

4.4 Do not dwell too long on a question

Many students complain about not having enough time to complete the paper. Part of the examination process is to find out whether you can identify what is being asked and answer the question in a concise but complete manner. You have to be able to identify the important aspects of the question and not necessarily provide all the available information on the question. In terms of time: plan to have enough time to read the case study attentively at least twice.

5 FORMAT OF THE EXAMINATION PAPER

5.1 Structure of the examination

The duration of the examination is two hours and the examination paper will be structured as follows:

Section A: 35 multiple-choice questions	35 marks
Section B: Essay/application/case study questions	35 marks
Total marks of examination paper:	70 marks

The 35 marks of Section B consist of essay and/or application and/or case study questions. Although you will be able to choose between questions, you will be asked to first do a **compulsory** question (10 marks) and then choose one of two questions (25 marks each). These questions may consist of a long essay question or shorter paragraph questions. Some of these questions can be based on the case study.

Your year mark contributes 20% and your examination mark 80% to your final mark.

5.2 General examination issues

Please pay attention to the following to ensure that you do not make unnecessary mistakes in the examination:

- Indicate the questions you have chosen to answer on the fill-in cover page by circling the relevant question number on the front page.
- Provide the correct numbering for questions. (Use the question numbers provided on the examination paper, particularly for the shorter questions.)
- Indicate whether your answer to a question continues on the next page.
- Do not answer all the essay questions. Only answer the number of questions required.
- Make sure that you indicate the correct student number and module code on the cover page of the examination script.
- Do not be dishonest by bringing unauthorised notes with you into the examination. Unisa's invigilators are experienced and your chances of getting away with such behaviour are slim.
- Make sure that you adhere to these guidelines when you answer the examination questions.

6 IN CLOSING

If you obtain other previous papers from myUnisa, I have to advise you not to focus on these previous examination papers only. Previous papers only serve to give you an idea of **how** examination questions MIGHT be asked. Do not regard them as an indication of questions that will likely appear in the examination. We will expect you to apply the theoretical principles (see the self-assessment assignment in TL101 for examples). Therefore, make sure that you understand and internalise the learning content to be able to answer both theoretical and application (and case study) questions in the examination. **Please do not contact the lecturer (or e-tutors) about copies of previous examination papers and the availability of examination papers on myUnisa, or to discuss the examination questions.**

I trust that the above guidelines have helped you in evaluating your answers for Assignments 01 and 02, and that this tutorial letter has given you an indication of the format of the examination paper. I wish you success in your study and encourage you to contact me, as indicated in Tutorial Letter 101 (MNP2601/101/3/2018), if you have any problems with the content of this module. Please contact the relevant administration sections of the University for any other enquiries.

All the best with your studies.

Dr Orpha Cilliers

Module Lecturer

**DEPARTMENT OF ENTREPRENEURSHIP, SUPPLY CHAIN, TRANSPORT, TOURISM AND LOGISTICS MANAGEMENT
UNISA**

End of TL201/1/2018