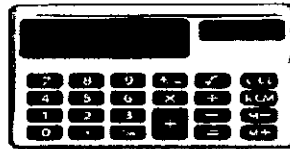


UNIVERSITY EXAMINATIONS



UNIVERSITEITSEKSAMENS

**UNISA**   
university of south africa

**MNP2601**

( 480013)

May/June 2013  
Mei/June 2013

**PURCHASING MANAGEMENT  
AANKOOPBESTUUR**

Duration 2 Hours  
Tydsduur 2 Uur

70 Marks  
70 Punte

**EXAMINERS / EKSAMINATORE**

FIRST / EERSTE MRS/MEV L MARCANTUONO  
SECOND / TWEDE MRS/MEV EG TROLLIP

Use of a non-programmable pocket calculator is permissible  
Gebruik van 'n nie-programmeerbare sakrekenaar is toelaatbaar

Closed book examination  
Toeboekeksamen.

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This paper consists of 11 pages, plus instructions for the completion of a mark-reading sheet

**ANSWER BOTH SECTION A AND SECTION B (70 MARKS IN TOTAL).**

[TURN OVER]

**SECTION A**

**ALL the questions in section A are compulsory. Answer all the questions on the mark-reading sheet.**  
**Each question counts one mark. Total: 30 marks.**

**QUESTION 1**

Which of the following combinations of concepts best reflect the nature of supply management?

- a Strategic focus, systems approach, short-term view
- b Total cost of ownership, customer satisfaction
- c Short-term view, organisational goals, progressive approach
- d Strategic role, strategic focus

- 1 a c
- 2 a c d
- 3 a b
- 4 b d

**QUESTION 2**

Which one of the following performance indicators is a reflection of efficiency?

- 1 Outstanding orders
- 2 Cost-avoidance
- 3 Cash discounts negotiated
- 4 Supplier turnover

**QUESTION 3**

has made expediting in the traditional sense redundant

- 1 Just-in-time (JIT)
- 2 Total Quality Management (TQM)
- 3 Electronic Data Interchange (EDI)
- 4 Black Economic Empowerment (BEE)

**QUESTION 4**

On which basis will total spending be divided into categories in the portfolio analysis matrix?

- 1 Total spending and risks in the supply market
- 2 Risks in the consumer market
- 3 Risks in the consumer market and total spending
- 4 The nature of the product and the length of the contract

[TURN OVER]

**QUESTION 5**

The following are the key performance indicators of supplier evaluation

- 1 Cost, on-time delivery, responsiveness and quality
- 2 Cost, financial stability, flexibility and reliability
- 3 Cost, quality, on-time delivery and environmental issues
- 4 All of the above

**QUESTION 6**

Which one of the following statements regarding risk management in purchasing and supply is false?

- 1 Air pollution is a particular problem purchasing and supply must attend to
- 2 Maverick purchasing poses risks for an organisation
- 3 Monopolies in the supply market are an important risk for purchasers
- 4 Implementation of a new system is a risk for purchasing and supply management

**QUESTION 7**

Buying the right quality of products and services is important for satisfying the \_\_\_\_\_ of the ultimate customer

- 1 expectations
- 2 requirements
- 3 preferences
- 4 specifications

**QUESTION 8**

\_\_\_\_\_ (s) increase as a total as production quantities increase, but the costs per product remains the same no matter how many products are produced

- 1 Total fixed costs
- 2 Total variable costs
- 3 Semi-variable costs
- 4 Profit mark-up

[TURN OVER]

**QUESTION 9**

Which of the following combinations of concepts can be associated with the just-in-time system (JIT)?

- a Stockless purchasing
- b Continuous improvement
- c Lead time reduction
- d Quality inspection
- e Kanban

- 1 a b d
- 2 a c e
- 3 b c d
- 4 All of the above

**QUESTION 10**

The \_\_\_\_\_ method is the period (in years) that it will take to recover the initial capital outlay from the net cash flow after tax

- 1 net present value
- 2 cost of maintenance
- 3 payback period
- 4 internal rate of return

**QUESTION 11**

Which one of the following statements regarding the characteristics of services buying is incorrect?

- 1 Services are heterogeneous and therefore not interchangeable
- 2 Perishability of services decreases the competitive forces of the market
- 3 Simultaneity implies that it is likely that the consumer and producer of a service will both be involved in creating the service
- 4 Because services are intangible, the supply managers usually find it easier to specify services than they do products and materials

**QUESTION 12**

Using a 90/10 preference point system will result in

- 1 a 10% decrease in costs
- 2 a 10% increase in price
- 3 a 90% decrease in costs
- 4 a 90% increase in price

[TURN OVER]

**QUESTION 13**

The phases in the purchasing and supply cycle follow a logical sequence. Which combination of the following is the correct sequential order?

- a Handling faults and discrepancies
- b Selecting suppliers
- c Receiving, inspecting and distributing
- d Following up and expediting

- 1 a d c b
- 2 c a b d
- 3 b d c a
- 4 d c b a

**QUESTION 14**

To conduct an inventory analysis, reduce A-category items, and improve understanding with suppliers, are examples of

- 1 purchasing negotiations objectives
- 2 strategic purchasing objectives
- 3 tactical purchasing objectives
- 4 operational purchasing objectives

**QUESTION 15**

The International Standards Organisation (ISO) developed a quality assurance system known as the ISO 9000 2000 series. An organisation's ability to meet international standards for quality assurance is a prerequisite for

- 1 international negotiation
- 2 global competition
- 3 global economies
- 4 international politics

[TURN OVER]

**QUESTION 16**

Which combination of the following statements about the contribution of purchasing are true?

- a A percentage savings in purchasing costs have a greater influence on an organisation's profitability than the same percentage increase in sales
- b Purchasing cost represent 10 to 20 percent of every rand flowing into any organisation
- c The purchasing function contributes less to a retail organisation's profitability than to the profitability of a manufacturing organisation
- d The purchasing function contributes more to profitability in a manufacturing organisation than in a service organisation

- 1 a d
- 2 a b
- 3 d c
- 4 a b c d

**QUESTION 17**

A limited number of suppliers, offering homogeneous or similar products, operate in a/an market

- 1 oligopolistic
- 2 monopolistic
- 3 purely competitive
- 4 commercial

**QUESTION 18**

Which one of the following is **not** a specific objective of purchasing departments?

- 1 Limiting inventory losses to a minimum
- 2 Handling of all promotional matters
- 3 Ensuring an uninterrupted flow of goods and/or services
- 4 Finding reliable alternative sources of supply

**QUESTION 19**

The \_\_\_\_\_ is based on the correlation between the average labour hours per unit and the number of units manufactured

- 1 break-even analysis
- 2 learning curve
- 3 hedging of prices
- 4 standardisation of products

[TURN OVER]

**QUESTION 20**

Which concept is not relevant in determining the EOQ?

- 1 Consumption
- 2 Unit cost
- 3 Continuous replenishment quantities
- 4 Inventory-carrying cost

**QUESTION 21**

Using cross-functional purchasing teams has many advantages for an organisation. Which one of the following is **not** an advantage?

- 1 Enhanced communication between functions and with top management
- 2 Responsiveness to user needs
- 3 Increased acceptance of the products by users
- 4 Increased management commitment to integration, outsourcing and supplier partnering

**QUESTION 22**

Which combination of the following are possible advantages of research in purchasing?

- a Reduced clerical or administrative workload
- b Better decision-making
- c Serve as training for personnel
- d Better relations with suppliers
- e Specialist expertise can be acquired
- f Better responsiveness to customer's needs

- 1 a b c d e f
- 2 a b d e
- 3 b c d e f
- 4 a c f

**QUESTION 23**

Which one of the following is **not** part of a policy for price determination?

- 1 Price determination according to prevailing market prices
- 2 Price determination by competition in the market
- 3 Price determination according to unstable political circumstances
- 4 Price determination by means of negotiation

[TURN OVER]

**QUESTION 24**

In which combination of the following can you see the impact of total quality management (TQM) on purchasing and supply management?

- a The needs of internal and external clients
- b Employee involvement
- c Process mapping
- d Performance measurement

- 1 a c
- 2 a b d
- 3 b c d
- 4 a b c d

**QUESTION 25**

Which combination of the following costs are ordering costs?

- a The cost of financing inventory
- b The cost of storage
- c The cost of handling inventory
- d Receipt costs
- e Follow-up costs

- 1 d e
- 2 b c e
- 3 b c d
- 4 a c e

**QUESTION 26**

There are different methods to evaluate the purchasing value of capital equipment. Which one of the following is **not** such a method?

- 1 Net present value (NPV)
- 2 Internal rate of return (IRR)
- 3 Return on investment (ROI)
- 4 Value added tax (VAT)

[TURN OVER]



**QUESTION 27**

Which combination of the following represents the advantages associated with the use of national suppliers?

- a a wide product range
- b advanced technical expertise
- c a greater probability of continuity of supply
- d low transportation costs

- 1 a c d
- 2 a b d
- 3 None of the above
- 4 All of the above

**QUESTION 28**

Until 2011 the head office of CM Electrical did the purchasing for all the different departments and plants. In 2012 they decided that all the different departments and plants must do their own purchasing. Which one of the following statements may be an advantage of this decision is?

- 1 Nearby suppliers can be utilised effectively
- 2 Bulk purchases are possible
- 3 There are reduced administration costs as duplication is eliminated
- 4 There is no competition between the different business units

**QUESTION 29**

Which combination of the following advantages may be applicable for the organisation when purchasing from a distributor?

- a Blanket contracts can be entered into to reduce administration
- b The organisation has a wider choice of style, quality, colour and packaging
- c Marketing services are provided
- d Shorter lead times and better after-sales service is possible

- 1 b c d
- 2 a b d
- 3 All of the above
- 4 None of the above

[TURN OVER]

**QUESTION 30**

Suppliers which have gone through the assessment selection and evaluation process successfully can be classified in the following combination of groups

- a approved suppliers
- b certified suppliers
- c preferred suppliers
- d contract suppliers

- 1 a b c
- 2 b c d
- 3 a c d
- 4 All of the above

[TURN OVER]

**SECTION B****Answer any TWO of the following questions.****Total: 40 marks****QUESTION 1****[20]**

- 1 1 Give three advantages and three disadvantages of a centralised organisational structure for purchasing and supply management (6)
- 1 2 Briefly explain the seven steps of the supplier selection process (7)
- 1 3 Define a “revenue pricing model” in your own words and identify two reasons for suppliers to make use of this strategy (4)
- 1 4 Discuss three characteristics of services which distinguish services from buying goods (3)

**QUESTION 2****[20]**

- 2 1 When an order has been placed in the purchasing process, the order form serves as a source document for all activities to be performed. To which functions or groups should the order form, or copies thereof, be distributed and for what reasons? (10)
- 2 2 Identify six disadvantages that the decision to outsource may hold for an organisation (6)
- 2 3 List four symptoms of poor inventory management (4)

**QUESTION 3****[20]**

- 3 1 What is the common role of the purchasing and supply management department in the purchasing of capital goods? (5)
- 3 2 List and explain the problems that organisations face with small disadvantaged business purchasing programmes (10)

**PART 1 (GENERAL/ALGEMEEN) DEEL 1**

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INITIALS AND SURNAME  
VOORLETTERS EN VAN

DATE OF EXAMINATION  
DATUM VAN EKSAMEN

EXAMINATION CENTRE (E.G. PRETORIA)  
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For use by examination invigilator  
Vir gebruik deur eksamenopsiener

**IMPORTANT**

1. USE ONLY AN HB PENCIL TO COMPLETE THIS SHEET
2. MARK LIKE THIS
3. CHECK THAT YOUR INITIALS AND SURNAME HAS BEEN FILLED IN CORRECTLY
4. ENTER YOUR STUDENT NUMBER FROM LEFT TO RIGHT
5. CHECK THAT YOUR STUDENT NUMBER HAS BEEN FILLED IN CORRECTLY
6. CHECK THAT THE UNIQUE NUMBER HAS BEEN FILLED IN CORRECTLY
7. CHECK THAT ONLY ONE ANSWER PER QUESTION HAS BEEN MARKED
8. DO NOT FOLD

**BELANGRIK**

1. GEBRUIK SLEGS 'N HB-POTLOOD OM HIERDIE BLAD TE VOLTOOI
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**PART 2 (ANSWERS/ANTWOORDE) DEEL 2**

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