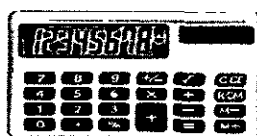


UNIVERSITY EXAMINATIONS



UNIVERSITEITSEKSAMENS

UNISA 
university of south africa

MNP2601

(482694) October/November 2012

PURCHASING MANAGEMENT

Duration 2 Hours

70 Marks

EXAMINERS

FIRST

MRS L MARCANTUONO

SECOND

MRS EG TROLLIP

Use of a non-programmable pocket calculator is permissible

Closed book examination

This examination *question paper* remains the property of the University of South Africa and may not be removed from the examination venue

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

The basis for dividing total spending into categories in the portfolio analysis matrix or strategic sourcing is

- 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

_____ 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 out of 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 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 constitutes a prerequisite for

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

[TURN OVER]

QUESTION 16

Which 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

Assume the following in a manufacturing organisation

Annual consumption	33 750 units
Ordering cost per order	R20 00
Unit cost of an inventory item	R50 00
Inventory carrying cost as percentage of inventory management	30%

The most economic ordering quantity (EOQ) is

- 1 300 units
- 2 90 000 units
- 3 900 000 units
- 4 None of the above

QUESTION 21

Using cross-functional purchasing teams has many advantages for a firm 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 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

[TURN OVER]

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

QUESTION 24

In which 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 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

Advantages associated with the use of national suppliers are

- 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

Which one of the following statements is **incorrect** regarding the financial impact of the purchasing function on the organisation?

- 1 The formula for calculating the return on investment ratio is $\frac{\text{total income of organisation} \times \text{turnover}}{\text{turnover of total assets employed}}$
- 2 A percentage saving in purchasing cost has a greater influence on an organisation's profitability than the same percentage increase in sales
- 3 The purchasing function contributes more to a manufacturing organisation's profitability than to a retail organisation's profitability
- 4 The purchasing function contributes more to profitability in a manufacturing organisation than in a service organisation

QUESTION 29

Which 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 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 decentralised organisational structure for purchasing and supply management (6)
- 1 2 Briefly explain six important sources of information in identifying potential suppliers for initial selection and assessment (6)
- 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 four key variables that supply management must consider in acquiring transport services (4)

QUESTION 2**[20]**

- 2 1 Explain the most important aspects in the procedure of analysing the invoice in the purchasing process (5)
- 2 2 Identify four ways in which purchasing can contribute to environmental performance (4)
- 2 3 Give five reasons why organisations implement enterprise resource planning (ERP) systems (5)
- 2 4 List any six points of the Ten-Point Plan by the Department of Public Works (6)

QUESTION 3**[20]**

- 3 1 Identify five trends that may trigger an organisation to consider outsourcing strategic or critical products or services (5)
- 3 2 Briefly explain the eight principles of quality management systems (QMS) (8)
- 3 3 List seven qualitative considerations in purchasing capital equipment (7)

PART 1 (GENERAL/ALGEMEEN) DEEL 1

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INITIALS AND SURNAME
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DATE OF EXAMINATION
DATUM VAN EKSAMEN

EXAMINATION CENTRE (E.G. PRETORIA)
EKSAMENSENTRUM (BY 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
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- 6 CHECK THAT THE UNIQUE NUMBER HAS BEEN FILLED IN CORRECTLY
- 7 CHECK THAT ONLY ONE ANSWER PER QUESTION HAS BEEN MARKED
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BELANGRIK

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PART 2 (ANSWERS/ANTWOORDE) DEEL 2

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Specimen only