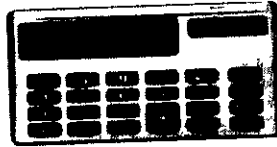


UNIVERSITY EXAMINATIONS



UNIVERSITEITSEKSAMENS

UNISA 
UNIVERSITY
OF SOUTH AFRICA

MNP202F
RMP202B

(483542) October/November 2011
(477738)

PURCHASING MANAGEMENT (BUSINESS MANAGEMENT 202)

70 Marks

Duration 2 Hours

EXAMINERS
FIRST
SECOND

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PROF JA BADENHORST

Use of a non-programmable pocket calculator is permissible.

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 10 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

A purchasing and supply policy document should make provision for the firm's policy on the use of international, national and local suppliers. An advantage associated with the use of national suppliers is _____

- 1 low transport cost
- 2 greater probability of continuity of supply
- 3 advance technical expertise
- 4 large product range

QUESTION 2

Which one of the following **cannot** be categorized as a normal purchasing activity?

- 1 Purchase and storage of the right quality and quantity of material
- 2 Selection of, evaluation of and negotiation with suppliers
- 3 Transformation of raw materials
- 4 Executing purchasing research

QUESTION 3

Which documents are used in the *receipt and distribution* step of the purchasing cycle?

- 1 Price lists, catalogues and written quotations
- 2 Catalogues, order forms and delivery notes
- 3 Order forms, delivery notes and receipts
- 4 Cheques, consignments notes and lists of specifications

[TURN OVER]

QUESTION 4

Which one of the following is **not** a reason for the increasing importance of the purchasing and supply function?

- 1 Sustained inflation
- 2 Fierce competition
- 3 Technological innovation
- 4 The size of the organisation

QUESTION 5

In general, the basic objective of purchasing management is buying the right _____ in the right quantities at the right _____ and at the right price, from the right source, and with delivery at the right _____

- 1 suppliers, purchaser, producer
- 2 requirements, time, place
- 3 outputs, provider, plant
- 4 products, stages, operation

QUESTION 6

The cost of handling inventory, insurance costs and depreciation of inventory are all examples of _____ costs

- 1 inventory-holding
- 2 administrative
- 3 ordering
- 4 inventory shortage

QUESTION 7

JT Seats Manufacturing is an international company who manufactures motor car seats. They have loyal customers and produce and deliver high quality products. The executive director of Dairy Com SA, a dairy company, knows the Director of JT and through conversations he realized that his company can perhaps learn from JT's success. He got permission from JT's director to use their methods to compare their methods and practices. This type of benchmarking is

- 1 internal benchmarking
- 2 external benchmarking
- 3 best-practice benchmarking
- 4 breakthrough benchmarking

[TURN OVER]

QUESTION 8

To conduct an inventory analysis, reduce A-category items, and improve the co-operations with suppliers, are example of

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

QUESTION 9

Which one of the following is **not** a cost element taken into account when using the supplier's cost as a basis of price determination?

- 1 Direct cost of materials
- 2 Direct labour costs
- 3 Outbound transportation costs
- 4 Manufacturing overheads

QUESTION 10

Certain trends in the business world may influence an organisation to enter into subcontracting or outsourcing agreements with other organisations. Which one of the following is **not** a trend that may influence an organisation to do outsourcing?

- 1 Many suppliers available in the market.
- 2 Pressure to maintain (secure) position in international markets
- 3 Emphases on quality, delivery times and technology
- 4 Specialisation in a limited number of products and technologies

QUESTION 11

Where a small number of suppliers offer a homogenous or similar product, it is known as _____

- 1 pure competition
- 2 oligopoly
- 3 monopoly
- 4 oligopsony

[TURN OVER]

QUESTION 12

Which one of the following circumstances makes it favourable for an organisation to *buy* rather than manufacture goods?

- 1 When there are no or a few reliable suppliers
- 2 When the demand for the product is relatively small
- 3 When the organisation's quality requirements are too stringent
- 4 For competitive, political, social and environmental reasons

QUESTION 13

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

- a The needs satisfaction 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 14

Which one of the following is **not** a special characteristic of purchasing capital equipment?

- 1 Small expenditure
- 2 Non-recurring expenditure
- 3 Specialised and technical
- 4 Large expenditure

QUESTION 15

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

- 1 Payback period
- 2 Net present value (NPV)
- 3 Internal rate of return (IRR)
- 4 The return on investment (ROI)

[TURN OVER]

QUESTION 16

Which one of the following statements is **incorrect** regarding the ABC-analysis and economic order quantity (EOQ)?

- 1 The ABC analysis can be used by inventory management to selectively plan and prioritise purchasing
- 2 The ABC-analysis is primarily aimed at providing management with information on the importance of the different inventory items in terms of monetary value
- 3 Calculating the most EOQ is an attempt by inventory management to plan ordering quantities so that total inventory costs are kept to a minimum
- 4 Purchasing the most EOQ is used in the cyclical ordering system Nr 4 p117-178

Study the following information and then answer questions 17 and 18 that follow:

The annual consumption of an enterprise is 10 000 units (the organisation runs for 40 weeks during the year and five days per week)

The cost per order is R1000

The unit cost of the inventory item is R80 00

The inventory-carrying cost is 25% of the inventory investment

The lead time is eight working days

The safety stock is 200 units

QUESTION 17

What is the most economical ordering quantity in units?

- 1 10
- 2 100
- 3 1000
- 4 10 000

QUESTION 18

If the most economical order quantity is ordered each time, how many orders will be placed in a year?

- 1 10
- 2 100
- 3 400
- 4 1000

[TURN OVER]

QUESTION 19

Purchasing services can be complex as a result of the unique characteristics associates with it, such as _____ and _____

- 1 intangibility, heterogenity
- 2 high cost, time consuming
- 3 scarcity, expensiveness
- 4 efficiency, uniqueness

QUESTION 20

_____ means purchasing suitable quality product (not necessarily the best quality) at a satisfactory service level as determined by the customer is at the lowest price

- 1 Best value prices
- 2 Aggressive prices
- 3 Fair prices
- 4 Competitive prices

QUESTION 21

As a newly appointed purchasing manager of Photofax (Pry) Ltd, you have to buy two new photocopiers for the enterprise What are the qualitative factors that will influence your choice?

- a Cost of installation
- b Cost of maintenance
- c Cost of operation
- d Technical and economic life span
- e Space requirements
- f Reliability of the equipment

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

QUESTION 22

_____ entails reducing the number of suppliers with whom an organisation does business

- 1 Supplier stabilisation
- 2 Positive influence
- 3 A well-formulated supplier policy
- 4 Insourcing

[TURN OVER]

QUESTION 23

_____ are used by the stores for the repeated purchasing of standard inventory requirements

- 1 Purchasing requisitions
- 2 Travelling requisitions
- 3 Material lists
- 4 Kanbans

QUESTION 24

Which one of the following is **not** an element that might cause delays in the product cycle time, thereby limiting the firm's ability to engage in Time-based competition (TBC)

- 1 Poor evaluation of purchasing and supply performance
- 2 Lack of synchronising the flow of materials and information
- 3 Poor communication among functions
- 4 Poor packaging and engineered designs

QUESTION 25

Which one of the following is **not** a reason for the growing importance of supplier selection?

- 1 The adoption of JIT, TQM and supply chain management
- 2 Constant rise in inventory costs
- 3 Increasing workforce stability
- 4 Organisations are concentrating on their core activities and competencies

QUESTION 26

When Nissan purchases a new assembly machine for its plant in Rosslyn, Pretoria What quality description method would be applicable?

- 1 commercial standard
- 2 materials and manufacturing characteristics
- 3 samples
- 4 blueprints

[TURN OVER]

QUESTION 27

Which one of the following is **not** a characteristic of TQM?

- 1 Continuous improvement
- 2 Team problem solving
- 3 Feedback on customer satisfaction
- 4 Management philosophy that permeates the purchasing function

QUESTION 28

Identify the **incorrect** statement regarding the supplier selection process

- 1 "Increasing pressure to reduce material costs" is one of the reasons for the growing importance of supplier selection
- 2 The selection of a poor supplier can lead to recalls of an organisation's product due to poor quality
- 3 The selection of a supplier can be made in isolation
- 4 The identification of possible suitable suppliers takes place in the investigation phase

QUESTION 29

_____ is not usually regarded as a good method of description of quality

- 1 Samples
- 2 Blueprints
- 3 Commercial standards
- 4 Market grades

QUESTION 30

A _____ purchasing and supply organisational structure is beneficial in cases where functional, supplier and information systems integration is of utmost importance

- 1 centralised
- 2 decentralised
- 3 combined
- 4 multi-disciplinary

[TURN OVER]

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

- 1 1 Explain why organisations will make use of cross-functional purchasing teams? (6)
- 1 2 Identify and describe the characteristics of the three market forms in which most purchases are being done (9)
- 1 3 Briefly explain a combined purchasing and supply organisational structure? (3)
- 1 4 Define supply management in your own words (2)

QUESTION 2**[20]**

- 2.1 The method of price determination is strongly influenced by the type of purchase or the type of product being purchased. Pricing methods should therefore be adapted according to product categories. Identify six types of product categories and the method of price determination for each of these categories (12)
- 2 2 Explain the most important objectives for the performance evaluation of the purchasing- and supply function (4)
- 2 3 Identify two of the three aids for decision-making on quality and give a short description of each (4)

QUESTION 3**[20]**

- 3 1 Define ethics, business ethics and purchasing ethics (6)
- 3 2 List three measures used to counter unethical behaviour in purchasing and supply management (3)
- 3 3 List four of the twelve supplier evaluation criteria (4)
- 3 4 When will an organisation make use of *reciprocity*? (2)
- 3 5 List five of the benefits of benchmarking (5)

PART 1 (GENERAL/ALGEMEEN) DEEL 1

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INITIALS AND SURNAME
VOORLETTERS EN VAN

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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
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PART 2 (ANSWERS/ANTWOORDE) DEEL 2

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