



MNP202F
RMP202B

(467710)

May/June 2010

(473532)

PURCHASING MANAGEMENT (BUSINESS MANAGEMENT 202)

Duration 2 Hours

70 Marks

EXAMINERS
FIRST
SECOND

MS EG TROLLIP
PROF JA BADENHORST-WEISS

Use of a non-programmable pocket calculator is permissible

This paper consists of 10 pages, plus instructions for the completion of a mark-reading sheet.

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

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

QUESTION 2

Which one of the following is **not** a specific objective of strategic supply management?

- 1 To manage the supply base according to the strategic objective of the buying firm.
- 2 To provide outstanding customer service to the internal customers of the supply function.
- 3 To foster long-term relationships between the purchasing firm and suppliers.
- 4 To buy efficiently and wisely obtaining by ethical means the best value for every rand spent

QUESTION 3

Which one of the following financial ratio is **not** important to the purchasing and supply manager?

- 1 Current capital ratio
- 2 Current asset turnover
- 3 Days sales in inventory
- 4 Term of payment of creditors

QUESTION 4

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

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

[TURN OVER]

QUESTION 5

Which one of the following statements regarding the different levels of purchasing and supply objectives is incorrect?

- 1 To keep the investment in inventory as low as possible is an example of strategic purchasing objectives.
- 2 To enter into long-term contracts with reliable suppliers of strategic materials is an example of tactical supply objectives.
- 3 To provide technical support to developing suppliers is an example of operational objectives.
- 4 To maintain sound relationships with suppliers is an example of strategic purchasing objectives.

QUESTION 6

Until 2008 the head office of C&M Electrical did the purchasing for all the different departments and plants. In 2009 they decided that all the different departments and plants must do their own purchasing. One of the advantages of this decision is.....

- 1 nearby suppliers can be utilised effectively.
- 2 bulk purchases.
- 3 reduced administration costs by eliminating duplication.
- 4 no competition within units

QUESTION 7

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 8

Identify the first step in the process of evaluating the purchasing and supply function.

- 1 Determining appraisal factors and criteria for success.
- 2 Determining the objectives of purchasing and supply.
- 3 Exercising managerial control in response to results.
- 4 Performing internal audits, self-governance or self-assessment.

[TURN OVER]

QUESTION 9

Which one of the following is **not** a characteristic of supply chain management?

- 1 Supply chain management is a philosophy for conducting business
- 2 Team efforts take place across organizational boundaries, management levels and internal functional boundaries.
- 3 All links and interfaces in the supply chain are equally important
- 4 Information sharing in supply chain management occurs across the span of the supply chain.

QUESTION 10

Which one of the following is **not** part of strategic sourcing activities?

- 1 Reduction of cycle time.
- 2 Identify cost reduction opportunities.
- 3 Outsourcing
- 4 Reduce the supplier base.

QUESTION 11

Total spending can be divided into different categories with different characteristics. Which one of the following is **not true** regarding these categories?

- 1 With *critical items* large amounts are spent and the risks of availability are high.
- 2 With *bottleneck items* the amount that is spent is high, but the risks are low.
- 3 With *leverage items* a large amount is spent, but supply risks are low.
- 4 With *routine items* supply risks are low and the amount spent is low.

QUESTION 12

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 this?

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

[TURN OVER]

QUESTION 13

Identify the disadvantage of subcontracting or outsourcing relationships.

- 1 Limited inventory
- 2 Enlarged production capacity
- 3 Specialisation by smaller organisation
- 4 Captive suppliers

QUESTION 14

Identify the first phase of the outsourcing decision process.

- 1 Analysing the strategic position
- 2 Defining core activities
- 3 Assessing technology and demand trends
- 4 Conducting a total cost analysis of core activities

QUESTION 15

C&M Electrical uses the “just-in-time” system. Which one of the following aspects would be most important to them when selecting suppliers?

- 1 Quoted price
- 2 Technical capability
- 3 Timeous delivery
- 4 General reputation

QUESTION 16

The identification of possible suitable suppliers takes place in the _____.

- 1 investigation phase
- 2 survey phase
- 3 selection phase
- 4 relationship phase

[TURN OVER]

QUESTION 17

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

- 1 When there are no or only 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 environment reasons.

QUESTION 18

_____ is a practice through which suppliers who are also customers of the purchasing organisation enjoy preferential treatment.

- 1 Reciprocity
- 2 Buying from captive suppliers
- 3 Subcontracting
- 4 Buying from disadvantages suppliers

QUESTION 19

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 local suppliers is _____.

- 1 low transportation costs
- 2 advanced technical expertise
- 3 a wide product range
- 4 lower prices due to mass production

QUESTION 20

Which one of the following is **not a reason** why ethical aspects in purchasing management are of the utmost importance?

- 1 Purchasers have decision making power on large sums of money.
- 2 Purchasers have the greatest say in which supplier will receive an order.
- 3 Purchasers put their employer's interest before their own.
- 4 Unethical action by purchasers influences relations with suppliers.

[TURN OVER]

QUESTION 21

Glass World (Pty) Ltd manufactures window frames in large quantities. The most suitable quality description method to be used by them is _____.

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

QUESTION 22

Which one of the following is an aid for quality decisions, and may be defined as the formally accepted uniform inherent characteristics of items in terms of specific measurements, design, composition, performance, quality and general use?

- 1 Integration
- 2 Standardisation
- 3 Value analysis
- 4 Specifications

QUESTION 23

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 24

The basic purpose of _____ is to eliminate all unnecessary costs in respect of a product or service that constitutes an input in the supply chain.

- 1 standardisation
- 2 quality assurance
- 3 value analysis
- 4 quality control

[TURN OVER]

QUESTION 25

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

- 1 The learning curve
- 2 Hedging
- 3 Standardisation
- 4 The break-even analysis

QUESTION 26

The most economic order quantity is used in the _____ ordering quantity system.

- 1 sporadic
- 2 periodic
- 3 cyclical
- 4 fixed

QUESTION 27

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 28

There are different methods to assess the financial performance of capital equipment. Which one of the following is **not** a method to be used to assess the performance of capital equipment?

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

[TURN OVER]

QUESTION 29

Which one of the following statements is false regarding purchasing from small businesses?

- 1 Communication between small businesses and the purchasers of large organisation is one of the greatest obstacles to the success of a small business.
- 2 The costs associated with small business purchasing programmes are high for both parties.
- 3 One of the challenges facing those who purchase from small businesses is that best practices suggest that supplier bases should be decreased.
- 4 There is a lack of small suppliers in certain sectors such as the cleaning, catering, garden maintenance, clothing and transport industry.

QUESTION 30

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

- 1 intangibility; heterogeneity
- 2 high cost; time consuming
- 3 scarcity; expensiveness
- 4 efficiency; uniqueness

[TURN OVER]

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

- 1.1 List the problems relating to the performance evaluation of the purchasing and supply function. (5)
- 1.2 List the core principles of supply chain management. (6)
- 1.3 Briefly explain the differences between supply chain management and logistics management. (5)
- 1.4 Define the concept and objectives of benchmarking in purchasing and supply management. (4)

QUESTION 2 [20]

- 2.1 List the reasons for the growing importance of supplier selection. (6)
- 2.2 Briefly explain the consequences when organisations select a poor supplier. (4)
- 2.3 Briefly explain the differences between forward auctions and reverse auctions. (4)
- 2.4 Briefly explain the role of purchasing and supply management in corporate governance. (6)

QUESTION 3 [20]

- 3.1 Define the concepts of “a fair price” and “a competitive price”. (4)
- 3.2 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 to product categories. Identify six types of product categories and the method of price determination for each of these categories. (12)
- 3.3 Identify two of the three aids for decision-making on quality and give a short description of each. (4)

PART 1 (GENERAL/ALGEMEEN) DEEL 1

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INITIALS AND SURNAME
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7. CHECK THAT ONLY ONE ANSWER PER QUESTION HAS BEEN MARKED
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PART 2 (ANSWERS/ANTWOORDE) DEEL 2

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- ② The paper number pertains only to first-level courses consisting of two papers

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- ③ Fill in your initials and surname
- ④ Fill in the date of the examination
- ⑤ Fill in the name of the examination centre
- ⑥ WRITE the digits of your student number HORIZONTALLY (from left to right). Begin by filling in the first digit of your student number in the first square on the left, then fill in the other digits, each one in a separate square
- ⑦ In each vertical column mark the digit that corresponds to the digit in your student number as follows [-]
- ⑧ WRITE your unique paper number HORIZONTALLY
NB Your unique paper number appears at the top of your examination paper and consists only of digits (e.g. 403326)
- ⑨ In each vertical column mark the digit that corresponds to the digit number in your unique paper number as follows [-]
- ⑩ Question numbers 1 to 140 indicate corresponding question numbers in your examination paper. The five spaces with digits 1 to 5 next to each question number indicate an alternative answer to each question. The spaces of which the number correspond to the answer you have chosen for each question and should be marked as follows [-]
- ◆ For official use by the invigilator. Do not fill in any information here