

**MNP202F**  
**RMP202B**

( 475603)    October/November 2009

( 467191)

**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 12 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).****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.**

[TURN OVER]

**QUESTION 1**

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 enterprise's profitability than the same percentage increase in sales
- 3 The purchasing function contributes more to a manufacturing enterprise's profitability than to a retail enterprise's profitability
- 4 The purchasing function contributes more to profitability in a manufacturing enterprise than in a service enterprise

**QUESTION 2**

The phases in the purchasing and supply cycle follows a logical sequence Which of the following is the correct sequence 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 b d c a
- 3 c a d b
- 4 d c b a

**QUESTION 3**

Purchasing costs constitute the biggest part of the enterprise's total expenditure In a manufacturing enterprise purchasing cost represent \_\_\_\_\_ of every rand flowing into the enterprise, in a retail enterprise \_\_\_\_\_, and in a wholesale enterprise \_\_\_\_\_

- |   |                   |                   |                  |
|---|-------------------|-------------------|------------------|
| 1 | 50 to 60 percent, | 70 to 80 percent, | over 80 percent  |
| 2 | 70 to 80 percent, | 50 to 60 percent, | below 50 percent |
| 3 | 30 to 40 percent, | 50 to 60 percent, | over 70 percent  |
| 4 | 50 to 60 percent, | 30 to 40 percent, | below 30 percent |

[TURN OVER]

**QUESTION 4**

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

- 1 To keep 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 purchasing objectives
- 4 To calculate the most economic order quantities and to choose supplier sources are examples of strategic purchasing objectives

**QUESTION 5**

Tough Tires (Pty) Ltd is currently planning to integrate their operations with other businesses in their supply chain. This is an example of \_\_\_\_\_ planning

- 1 tactical
- 2 strategic
- 3 operational
- 4 competitive

**QUESTION 6**

A decentralised organisational structure has the following characteristics

- a management authority is vested in one person
  - b different plants maintain their autonomy
  - c greater buying power as a result of increased quantities
  - d closer contact and liaison between users and the purchasing and supply departments
- 
- 1 a b
  - 2 c d
  - 3 a c
  - 4 b d

[TURN OVER]

**QUESTION 7**

Which one of the following statements is incorrect?

- 1 Supply chain management is primarily concerned with optimising the flows within the organisation
- 2 Time-based competition strives to reduce the lead time from the conceptual product design to the delivery of the final product to the customer
- 3 Benchmarking is a process whereby enterprises compare their performance in certain activities, processes, costs and service with other enterprises
- 4 Reduction of lead time is one of the core principles of supply chain management

**QUESTION 8**

\_\_\_\_\_ is a business practice by which a producer hires another firm to perform part of the manufacturing process or to finish sub-assemblies that will be incorporated into the end product

- 1 Subcontracting
- 2 Outsourcing
- 3 Insourcing
- 4 Buying

**QUESTION 9**

\_\_\_\_\_ is a practice through which suppliers who are also customers of the purchasing enterprise enjoy preferential treatment

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

[TURN OVER]

**QUESTION 10**

Which of the following are major elements typically included in a "to buy" cost analysis?

- a Delivered purchased material costs
- b Transportation costs
- c Incremental purchasing costs
- d Receiving and inspection costs

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

**QUESTION 11**

Arrange the following steps of the quality planning process in sequence

- a Set quality objectives
- b Collect the necessary data
- c Develop policies and strategies
- d Study the quality environment

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

**QUESTION 12**

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 13**

Alstore (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 14**

What quality description method would be used to ensure safety of use for South African consumers with the import of poultry?

- 1 Commercial standard
- 2 Materials and manufacturing characteristics
- 3 Samples
- 4 Blueprints

**QUESTION 15**

Nissan SA is purchasing a new assembly robot (designed according to their specifications) for its plant in Rosslyn, Pretoria. What quality description method would be applicable in this instance?

- 1 Commercial standard
- 2 Materials and manufacturing characteristics
- 3 Samples
- 4 Blueprints

**QUESTION 16**

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

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

[TURN OVER]

**QUESTION 17**

The \_\_\_\_\_ is usually presented graphically as a series of ratios between the manufacturing cost and the related quantities of a product manufactured and sold by a supplier

- 1 price index
- 2 commodity exchange
- 3 learning curve
- 4 break-even analysis

**QUESTION 18**

Which one of the following is not a normal approach 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 19**

Dairy Belle Cheese & Butter (Ltd) uses the 'just-in-time' system. Which of the following aspects would be most valuable to them whilst investigating possible suppliers?

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

Regarding supplier performance evaluation complete the following table and answer questions 20, 21, 22

Supplier		A		B		C		D	
Factors considered	Weight	Rating	Value	Rating	Value	Rating	value	Rating	Value
1. Price	10	?	50	6	?	4	?	9	?
2. Delivery	8	7	?	9	?	?	24	3	?
3. Quality	6	?	60	9	?	8	?	?	18
Supplier value			?		?		?		?

[TURN OVER]

**QUESTION 20**

Which supplier is the most suitable supplier according to the supplier qualification value?

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

**QUESTION 21**

Assume the listed suppliers in the above table are manufacturers of parts to be incorporated in the engines of vehicles. Which supplier will be eliminated from the supplier register first after the performance of the suppliers is evaluated?

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

**QUESTION 22**

Which supplier is the most suitable supplier if the price is most important?

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

**QUESTION 23**

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 transportation costs
- 2 a greater probability of continuity of supply
- 3 advanced technical expertise
- 4 a wide product range

[TURN OVER]



**QUESTION 24**

Eskom Mpumalanga established an agreement with a single coal supplier to provide in all the organisation's coal needs until the year 2015

This is an example of a \_\_\_\_\_

- 1 standing order
- 2 term contract
- 3 urgent order
- 4 low-value order

**QUESTION 25**

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

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

**QUESTION 26**

The reasons for holding inventory include

- a Continuous production
  - b Economical purchasing quantities
  - c Reduced purchasing costs
  - d Warehouse capacity utilisation
- 
- 1 a c d
  - 2 b d
  - 3 a b c
  - 4 a b c d

[TURN OVER]

**QUESTION 27**

Which of the following is incorrect?

- a The ABC analysis can be used by Inventory Management to selectively plan and prioritise purchasing
- b The ABC analysis is primarily aimed at providing management with information on the importance of the different inventory items in terms of demand
- c Calculating the most economic ordering quantity is an attempt by inventory management to plan ordering quantities so that total inventory costs are kept to a minimum
- d The most economic ordering quantity is used in the cyclical ordering quantity system

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

**QUESTION 28**

Total inventory costs are calculated as follows

- 1 inventory carrying cost + inventory ordering costs
- 2 inventory carrying cost + inventory ordering costs + inventory shortages cost
- 3 inventory carrying cost - inventory ordering costs + inventory shortages cost
- 4 inventory carrying cost - inventory shortages costs + inventory carrying costs

**Read the following information and then answer questions 29 and 30 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 costs per order are R1000

The unit cost of the inventory item is R80 00

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

The lead time is eight working days

The safety stock is 200 units

[TURN OVER]

**QUESTION 29**

What is the most economical ordering quantity in units?

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

**QUESTION 30**

The reorder level of the organisation is when the inventory levels are on \_\_\_\_\_ units

- 1        200
- 2        250
- 3        450
- 4        600

[TURN OVER]

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

- 1 1 List the problems regarding the performance evaluation in the purchasing- and supply management (5)
- 1 2 Describe the concept of supply chain management with the aid of a diagram (15)

**QUESTION 2 [20]**

- 2 1 List the twelve most important evaluation criteria for the selection of suppliers (12)
- 2 2 Briefly explain in your own words what is meant by a 'captive supplier' (4)
- 2 3 Identify why internal service quality is so crucial from a purchasing point of view (4)

**QUESTION 3 [20]**

- 3 1 Identify and explain the social responsibilities of purchasing and supply management (10)
- 3 2 Explain the role of the purchasing and supply function in the purchasing of capital equipment (10)

PART 1 (GENERAL/ALGEMEEN) DEEL 1

STUDY UNIT e.g. PSY100-X  
STUDIE EENHEID bv. PSY100-X

INITIALS AND SURNAME  
VOORLETTERS EN VAN

DATE OF EXAMINATION  
DATUM VAN EKSAMEN

PAPER NUMBER  
VRAESTELNOMMER

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STUDENT NUMBER  
STUDENTENOMMER

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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. GEBUIK SLEGS 'N HB POTLOOD OM HIERDIE BLAD TE VOLTOOI
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4. VUL U STUDENTENOMMER VAN LINKS NA REGS IN
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PART 2 (ANSWERS/ANTWOORDE) DEEL 2

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## MARK READING SHEET INSTRUCTIONS

Your mark reading sheet is marked by computer and should therefore be filled in thoroughly and correctly

### USE ONLY AN HB PENCIL TO COMPLETE YOUR MARK READING SHEET

*PLEASE DO NOT FOLD OR DAMAGE YOUR MARK READING SHEET*

Consult the illustration of a mark reading sheet on the reverse of this page and follow the instructions step by step when working on your sheet

Instruction numbers ❶ to ❿ refer to spaces on your mark reading sheet which you should fill in as follows

- ❶ Write your paper code in these eight squares for instance

P	S	Y	1	0	0	-	X
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- ❷ The paper number pertains only to first-level courses consisting of two papers

WRITE 

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 for the second. If only one paper, then leave blank

- ❸ Fill in your initials and surname
- ❹ Fill in the date of the examination
- ❺ Fill in the name of the examination centre
- ❻ 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
- ❼ In each vertical column mark the digit that corresponds to the digit in your student number as follows [-]
- ❽ 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)
- ❾ In each vertical column mark the digit that corresponds to the digit number in your unique paper number as follows [-]
- ❿ 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