



MNP202F
RMP202B

(493760) October/November 2010

(496015)

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).

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

In general, the basic objective of purchasing management is buying the right _____ in the right quantities at the right _____ and at the right price, for 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 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 objectives of the organisation.
- 2 To provide outstanding customer service to the internal customers
- 3 To foster long-term relationships between the purchasing organisation and suppliers
- 4 To buy efficiently and wisely obtaining by ethical means the best value for every rand spent.

QUESTION 3

Which documents are used in "*closing the order*" in the purchasing cycle?

- 1 Delivery note, inspection report, invoice
- 2 Price list, delivery note, receipt
- 3 Order form, delivery note
- 4 Order form, delivery note, and invoice

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

Logistics is that part of the supply chain that _____, implements and controls the efficient, effective flow and storage of goods, services and related information from the point of _____ to the point _____ in order to meet the customer's requirements.

- 1 outlines; the supplier; the customer
- 2 plans; manufacture; retailing
- 3 plans, origin, consumption
- 4 identifies; development, sale

QUESTION 6

Which one of the following is an advantage for a decentralised organisational structure?

- 1 Nearby suppliers can be utilised effectively.
- 2 Bulk purchases
- 3 Reduced administration costs by eliminating duplication.
- 4 No competition between the different business units

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 part of

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

QUESTION 8

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

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

[TURN OVER]

QUESTION 9

To enter into long-term contracts with reliable suppliers of strategic materials, is an example of.

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

QUESTION 10

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 11

Total spending on purchases 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 to be 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 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.

[TURN OVER]

QUESTION 13

When an industry or government sets a certain quality standard for an item, as it happens with bolts, screws, window frames, electrical equipment and bulbs, the description of quality is based on _____.

- 1 market grades
- 2 brand names
- 3 commercial standards
- 4 inherent specified characteristics

QUESTION 14

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

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

QUESTION 15

A _____ is graphically depicted as a series of ratios between the manufacturing cost and the related quantities of a product manufactured and sold by a supplier.

- 1 hedging of prices
- 2 break-even analyses
- 3 learning curve
- 4 price index

QUESTION 16

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 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 environmental reasons.

QUESTION 18

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 purchasing from 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 19

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

This is an example of a _____

- 1 standing order
- 2 high value order
- 3 strategic alliance
- 4 low-value order

QUESTION 20

The _____ is based on the simple perception that labour becomes more skilled and efficient with the repeated handling of equipment and materials, and also as the entire manufacturing process proceeds, and more units of the same product are manufactured.

- 1 hedging of prices
- 2 break-even analyses
- 3 learning curve
- 4 price index

[TURN OVER]

QUESTION 21

When Ford SA purchases a new assembly machine for its plant in Rosslyn, what quality description method would be applicable?

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

Regarding supplier performance evaluation looked at the table and answers question 22

Supplier		A		B		C		D	
Factors considered	Weight	Rating	Value	Rating	Value	Rating	value	Rating	Value
1. Price	10	5	50	6	60	4	40	9	90
2. Delivery	8	7	56	9	72	3	24	3	24
3. Quality	6	10	60	9	54	8	48	3	18
Supplier value			166		186		112		132

QUESTION 22

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 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

[TURN OVER]

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 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 25

The identification of possible suitable suppliers takes place in the _____

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

QUESTION 26

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 27

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 28

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 priorities 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.

Study 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 cost per order is R1000

The unit cost of the inventory item is R80.00

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

The lead time is eight working days

The safety stock is 200 units

QUESTION 29

What is the most economical ordering quantity in units?

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

QUESTION 30

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]

Answer any TWO of the following questions.

Total: 40 marks.

QUESTION 1

[20]

- 1.1 Explain the most important objectives for the performance evaluation of purchasing and supply. (4)
- 1.2 Briefly explain the basics of the concepts of “hedging prices”. (6)
- 1.3 Define subcontracting and outsourcing in your own words. (6)
- 1.4 Distinguish between the concepts of “purchasing management” and “supply management”. (4)

QUESTION 2

[20]

- 2.1 Explain the five areas of social responsibility of purchasing and supply function. (10)
- 2.2 Explain the three main aspects concerning the environment, purchasers should take into account (6)
- 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 Explain leasing under the following headings:
 - Types of leases (4)
 - Benefits of leasing (6)
- 3.2 Explain purchasing services under the following headings:
 - Reasons why the purchasing of services has become increasingly important. (5)
 - The variables supply management should consider when buying services. (5)

PART 1 (GENERAL/ALGEMEEN) DEEL 1

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For use by examination invigilator
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IMPORTANT

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PART 2 (ANSWERS/ANTWOORDE) DEEL 2

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