

CENTRAL UNIVERSITY

END OF 1ST SEMESTER EXAMINATION

2016/2017



MANAGEMENT & PUBLIC ADMINISTRATION

CBMG301

PROCUREMENT AND LOGISTICS MANAGEMENT (3 CREDITS)

LEVEL 300

SESSION: MORNING, EVENING AND WEEKEND

DURATION: 2½ HOURS

STUDENT ID No:

INSTRUCTIONS:

Section A: Answer all questions from this section (40 marks and Compulsory)

Section B: Answer **THREE (3)** question only from this section. (60 Marks)

Section A. Multiple Choice.

Answer all questions on the answer sheet given. Students are advised to spend only 40 minutes on this section. Each question takes 2 minutes and is allotted 1 mark. Select the best answer out of those given. Students are to note that if two answers are ticked or chosen for the same question, they lose mark for that question.

- 1) The inventory that companies hold to protect themselves against uncertainties in either demand or replenishment time is called:
A) safety stock. B) anticipation inventory. C) hedge inventory.
D) smoothing inventory.
- 2) Inventory that is "in the pipeline" moving from one link to another is:
A) anticipation inventory. B) transportation inventory. C) smoothing inventory.
D) hedge inventory.
- 3) The mismatch between timing of customer demand and supply chain lead times is what drives the need for:
A) safety stock. B) anticipation inventory. C) cycle stock. D) hedge inventory.
- 4) Tata Motors assembles cars from their own parts and subassemblies and also controls the mining and fabrication of the materials used to create those parts. When Anand ordered his luxury sedan with the platinum dashboard he knew he wouldn't be taking delivery of his dream car the next week. Rather, he would be waiting a while thanks to:
A) a mismatch between supply chain lead time and customer demand.
B) a mismatch between overall demand levels and productive capacity.
C) a mismatch between demand and the most efficient production volume.
D) a mismatch between demand and the most efficient shipment volume.
- 5) Which of the following relationships shows dependent demand inventory?
A) a business purchases a new car when the old one wears out.
B) a tire maker buys cleaning supplies.
C) an automaker purchases four tires for each car they produce.
D) a winemaker buys grapes from farmers in the Columbia Valley.
- 6) Safety stock increases when:
A) probability of a stockout increases. B) average demand increases.
C) delivery speed increases. D) demand fluctuations decrease.
- 7) Supply chain inventory:
A) increases in cost as materials move downstream.
B) decreases in value as materials progress downstream.
C) increases in flexibility as materials progress upstream.
D) is governed by the bullwhip effect, which says a small change upstream can cause a large change downstream.
- 8) Which of the following generates pressure to decrease inventories?
A) inventory shrinkage costs B) backorders and stockouts
C) transportation costs D) quantity discounts

- 9) Which of the following does **NOT** generate pressure to increase inventories?
 A) transportation costs B) backorders and stockouts
 C) inventory shrinkage costs D) quantity discounts
- 10) Which of these is **NOT** a logistics activity?
 A) material handling B) inventory management C) warehousing
 D) inspection
- 11) This transportation mode is often the most expensive on a per pound basis.
 A) air B) rail C) water D) highway
- 12) The mode of transportation that is highly cost effective for bulky items but has relatively poor delivery reliability and speed is:
 A) highway. B) water. C) rail. D) air.
- 13) Which of the following is an example of consolidation warehousing?
 A) Large shipments from multiple suppliers are re-sorted into customized shipments to individual stores.
 B) A single manufacturer takes output directly from a single manufacturing plant and sends it directly to a single customer.
 C) A single manufacturer takes output from several of its manufacturing plants and combines them into one shipment to a major customer.
 D) A single manufacturer holds a wide array of goods close to the source of demand.
- 14) Hub and spoke systems are characterized by:
 A) "spokes" that are represented by the sites that receive the goods.
 B) "hubs" that hold inventory until the appropriate season or upswing in demand.
 C) inventory locations that are close to producers, not customers.
 D) warehouses that are purely sorting facilities.
- 15) A service firm that takes care of all of the logistics requirements for other companies is a:
 A) common carrier. B) contract carrier.
 C) third party logistics provider. D) freight forwarder.
- 16) Your new Garden Weasel fails to "completely satisfy" you so you decide to return it for a full refund. What is the name for the system that will carry your weasel back to the manufacturer?
 A) upstream logistics B) reverse ordering C) upstream ordering D) reverse logistics
- 17) The _____ mode of transportation is highly cost effective for bulky items but has relatively poor delivery reliability and speed.
 A) Train B) Air C) Road D) water
- 18) _____ is a form of warehousing in which smaller outgoing shipments are created from large incoming shipments.
 A) Consolidation B) break-bulking C) distribution centers D) Cross-docking

- 19) Which of the following is not a common type of purchasing strategy?
 A) global sourcing B) total cost of ownership C) efficient customer response
 D) supplier development E) longer term supplier relationships
- 20) What activity is described as the movement of goods into a warehouse, the placement of goods in a warehouse, and the movement of goods from storage to order picking areas and eventually to dock areas for transportation out of the warehouse?
 A) materials handling B) physical distribution C) business logistics
 D) order fulfillment
- 21) Which of the following is not a core activity that is typically found within a purchasing department?
 A) purchasing research B) sourcing C) market research
 D) order follow-up E) administration support
- 22) Which of the following is true of purchasing?
 A) it is an essential function in every organization B) it has a strategic role
 C) it often accounts for the highest costs D) all of the above
- 23) Which of the following is not a benefit of good purchasing?
 A) a reliable supply of materials needed for operations
 B) identification and use of the best available suppliers
 C) high costs associated with high quality products
 D) less uncertainty in supply and lower stock levels
- 24) Which activity is, generally, the last step in a purchasing process?
 A) identify and select a supplier B) recognize user need for materials
 C) issue a purchase order D) measure and manage supplier performance
- 25) One form of warehousing that features light manufacturing and packaging duties and allows firms to put off final assembly or packaging until the last possible moment is:
 A) assortment warehousing. B) spot stock warehousing.
 C) postponement warehousing. D) pac-man warehousing.
- 26) Cost behavior analysis is related to
 A) how costs change as new products are introduced
 B) how costs change as output changes
 C) how costs change over time, trending up or down
 D) all of the above
- 27) Logistics is the process of anticipating customer needs and wants; acquiring the capital, materials, people, technologies, and information necessary to meet those needs and wants; optimizing the goods- or service-producing network to fulfill customer requests; and utilizing the network to fulfill customer requests in a timely manner. This is a
 A) definition from an inventory perspective.
 B) general definition.
 C) definition offered by the Society of Logistics Engineers.
 D) a definition provided by the Council of Logistics Management.

- 28) Materials handling is concerned with
- A) inventory levels.
 - B) breaking bulk.
 - C) scheduling trade-offs.
 - D) short-distance movement.
- 29) A supply chain information system that links a company with an entity upstream is called a(n): _____ 4. C
- A) internal supply chain management system.
 - B) customer relationship management system.
 - C) supplier relationship management system.
 - D) none of these systems provide this linkage.
- 30) The relationship between the manufacturer and supplier during the procurement cycle is very similar to the relationship between
- A) retailer and distributor.
 - B) distributor and manufacturer.
 - C) customer and retailer
 - D) manufacturer and customer.
- 31) Which department is least likely to interact with the purchasing function?
- A) human resources
 - B) operations
 - C) engineering
 - D) finance
- 31) Cross-docking is essentially the reverse procedure from warehousing.
- A) consolidation
 - B) break-bulk
 - C) mixing
 - D) spot Stock
- 32) _____ occurs when inventory is stolen by employees and customers or when the inventory cannot be sold at full value owing to model changes or low demand.
- A) obsolescence
 - B) deterioration
 - C) pilferage
 - D) shrinkage
- 33) Inventory _____ cost is the variable cost of keeping items on hand, such as storage and handling, taxes, insurance, and shrinkage.
- A) shortage
 - B) holding
 - C) stockouts
 - D) ordering
- 34) A(n) _____ is an order that cannot be satisfied, resulting in the loss of a sale.
- A) stockout
 - B) backordering
 - C) inventory hold
 - D) cancellations
- 35) Extra inventory that is held to protect against uncertainties in either demand or lead time is called _____.
- A) seasonal Stock
 - B) buffer stock
 - C) cycle Stock
 - D) in-process Stock
- 36) _____ is the cost of preparing a purchase order for a supplier or a production order for manufacturing.
- A) carrying Cost
 - B) holding Cost
 - C) ordering cost
 - D) shortage Cost
- 37) _____ is the planning and controlling of inventories in order to meet the competitive priorities of the organization.
- A) inventory management
 - B) logistics Management
 - C) demand Management
 - D) supply Chain Management

38) A(n) _____ uses more than one transportation mode through physical, information, and monetary flows that are as seamless as possible.

- A) multimodal solution
- B) several Modal
- C) 3rd Party
- D) efficient Transportation Mode

39) Logistics creates which utility through production forecasting, production scheduling and inventory control?

- A) form utility
- B) quantity utility
- C) time utility
- D) possession utility

40) Ensuring the availability of the right product, in the right quantity, and the right condition, at the right place, at the right time, for the right customer at the right cost, is which definition of logistics?

- A) seven Rs
- B) council of Logistics Management
- C) society of Logistic Engineers
- D) supply chain logistics

Section B: Essay-Type and Calculation Questions.

Please answer ONLY three (3) questions out of the five (5).

All questions carry equal marks. Each question is awarded twenty (20) marks

You are advised to spend thirty-five minutes {35} on each of the three questions of your choice totaling 1hr 35mins in all.

Please note that marks would be awarded for step-by-by calculations, clarity of expression, good grammar, relevant content and a well-organized work.

QUESTION 1.

- a. Mention five 5 assumptions OF EOQ Model
- b. Use the following data to calculate the Economic Order Quantity for NATO company Limited
 - X=\$75= cost of placing an order
 - Y= 2500 = annual demand in units
 - Z=\$80= cost of a unit of inventory
 - Q=30% = annual stock-holding cost as a fraction of unit cost

c. Outline 5 reasons why an organization should hold inventory

(20 marks)

QUESTION 2.

- a. Mention and explain the four main types of warehousing
- b. Analyze any five factors that a Logistics manager needs to consider when deciding
 - to centralize or decentralize its warehouses.

(20 marks)

QUESTION 3.

- a. Explain any three functions of inventory.
- b. List any five inventory risk.
- c. Discuss the four basic costs associated with inventory management. (20 marks)

QUESTION 4.

- a. Outline the different steps in procurement cycle.
- b. Enumerate any three of the procurement objectives (7rs). (20 marks)

QUESTION 5.

- a. List any five (5) impacts of fraud in the Procurement process.
- b. Describe any three (3) forms of corruption in procurement.
- c. Discuss the framework of fraud risk management in procurement. (20 marks)