JUNE 2013 EXAMINATION

DATE: 13 JUNE 2013

TIME: 14H00 – 16H00
TOTAL: 100 MARKS

DURATION: 2 HOURS
PASS MARK: 40%

(PURBUS)

PURCHASING

THIS EXAMINATION PAPER CONSISTS OF 3 SECTIONS:

SECTION A: CONSISTS OF:
(i) 12 MULTIPLE-CHOICE QUESTIONS (12 MARKS)
(ii) 5 TRUE OR FALSE QUESTIONS (10 MARKS)
(iii) 13 MATCHING-STATEMENT QUESTIONS (13 MARKS)

SECTION B: CONSISTS OF 2 SHORT QUESTIONS
ANSWER BOTH QUESTIONS (30 MARKS)

SECTION C: CONSISTS OF 3 LONG ANSWER QUESTIONS
ANSWER ALL THE QUESTIONS (35 MARKS)

INSTRUCTIONS:

1. Read the following instructions carefully before answering the paper, as failure to act upon them will result in a loss of marks.
2. Write your answers in your answer book, which is provided in the exam.
3. Ensure that your name and student number are clearly indicated on your answer book.
4. Write your answers in either blue or black ink in your answer book.
5. Read each question very carefully before you answer it and number your answers exactly as the questions are numbered.
6. Begin with the question for which you think you will get the best marks.
7. Note the mark allocations for each question – give enough facts to earn the marks allocated. Don't waste time by giving more information than required.
8. You are welcome to use diagrams to illustrate your answers.
9. Please write neatly – we cannot mark illegible handwriting.
10. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
11. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
12. This paper may be removed from the examination hall after the examination has taken place.
SECTION A

(35 MARKS)

ANSWER ALL THE QUESTIONS

(i) MULTIPLE-CHOICE QUESTIONS

Choose the correct option for each of the following. Write only the question number and your chosen answer. For instance, if you think that the correct answer for number 1 is (a), then write it as 1. (a).

1. Purchasing broadly includes:
   (a) materials management.
   (b) staff management.
   (c) buyers.
   (d) None of the above.

2. Purchasing comprises _____ activities.
   (a) eight
   (b) six
   (c) four
   (d) four and a half

3. A buyer's role involves:
   (a) selling goods.
   (b) buying goods.
   (c) marketing goods.
   (d) All of the above.

4. _____ is price multiplied by quantity.
   (a) Value
   (b) Time
   (c) Product
   (d) Material

5. An objective of purchasing is:
   (a) selling the right quantity.
   (b) buying the right quality.
   (c) marketing the goods.
   (d) constructive criticism.

6. The business cycle:
   (a) is a result of a large staff.
   (b) is the result of hard work.
   (c) is the result of many tactics.
   (d) is the result of many forces.
7. Advantages to be gained from centralising the purchasing function are:
   (a) economics of scale.
   (b) economics of science.
   (c) economics of sale.
   (d) economics of history.

8. The purchasing officer:
   (a) should be good at sport.
   (b) should have a good background.
   (c) should enjoy history.
   (d) None of the above.

9. Clerical work is also known as:
   (a) logistical work.
   (b) office work.
   (c) mechanical work.
   (d) statistical work.

10. The purchasing department may be required to:
   (a) operate the stores.
    (b) drive forklift trucks.
    (c) operate the crane.
    (d) All of above.

11. Material planning includes:
    (a) doing both financial and Capex budgets.
    (b) doing financial budgets.
    (c) doing Capex budgets.
    (d) preparing material budgets.

12. Logistics management is:
    (a) the managing of the procurement department.
    (b) the managing of the finance department.
    (c) the managing of the supply chain department.
    (d) All of the above.

(ii) TRUE OR FALSE QUESTIONS

Indicate whether the following statements are true or false. Motivate all your answers.

1. Purchase orders normally contain general instructions.

2. On receipt of material, the receiving department matches the items actually received.

3. The purchasing department does not need to return goods for credit.
4. CPU stands for Central Processing Unit.

5. A purchase order is a contract between a buyer and a supplier. \[5 \times 2 = 10\]

(iii) **MATCHING-STATEMENT QUESTIONS**

Match the statements in Column B to the statements in Column A. Write down the answers only, for example 1. (a).

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. MRO</td>
<td>(a) is made up of prime cost</td>
</tr>
<tr>
<td>2. supplier’s cost</td>
<td>(b) has a significant effect on price</td>
</tr>
<tr>
<td>3. the quantity ordered</td>
<td>(c) based on successful forecasting</td>
</tr>
<tr>
<td>4. principle of forward purchasing</td>
<td>(d) difficult to place in clear-cut perspective</td>
</tr>
<tr>
<td>5. unethical pricing</td>
<td>(e) last in first out</td>
</tr>
<tr>
<td>6. lowball pricing</td>
<td>(f) defined as predetermined price fixed</td>
</tr>
<tr>
<td>7. LIFO</td>
<td>(g) MTO</td>
</tr>
<tr>
<td>8. FIFO</td>
<td>(h) maintenance, repairing, operating</td>
</tr>
<tr>
<td>9. specially made for a customer</td>
<td>(i) usually raw materials</td>
</tr>
<tr>
<td>10. standard products</td>
<td>(j) company wide quality management</td>
</tr>
<tr>
<td>11. commodities</td>
<td>(k) generally available from many sources</td>
</tr>
<tr>
<td>12. CWQM</td>
<td>(l) a supplier purposely quotes low prices to eliminate competition</td>
</tr>
<tr>
<td>13. standard pricing</td>
<td>(m) first in first out</td>
</tr>
</tbody>
</table>

[13]

[35]
SECTION B: SHORT QUESTIONS (30 MARKS)

ANSWER BOTH QUESTIONS

QUESTION 1

(a) List three terms which define quality. (3)

(b) Dr Joseph Jaran defines quality management as his 'quality trilogy'. What does this trilogy consist of? (3)

(c) According to Crosby there are four absolutes of quality which are not negotiable. What are these? (4) [10]

QUESTION 2

(a) List eight examples of the cost of internal failures. (8)

(b) Briefly discuss the seven examples of the cost of appraisals. (7)

(c) Name five ways in which unnecessary costs can be prevented. (5) [20] [30]
SECTION C: LONG ANSWER QUESTIONS (35 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
(a) List four types of purchasing specifications. (4)
(b) Describe the purchasing specifications you listed in (a). (4 × 2 = 8) [12]

QUESTION 2
(a) List five types of purchasing contracts. (5)
(b) Describe the purchasing contracts you listed in (a). (5 × 2 = 10) [15]

QUESTION 3
Draft a sketch of a purchase order which could be used in the workplace. [8] [35]

Section A: 35 marks
Section B: 30 marks
Section C: 35 marks
TOTAL: 100 MARKS