JUNE 2012 EXAMINATION

DATE: 14 JUNE 2012

TIME: 14H00 – 16H00

TOTAL: 100 MARKS

DURATION: 2 HOURS

PASS MARK: 40%

(PURBUS)

PURCHASING

THIS EXAMINATION PAPER CONSISTS OF 4 SECTIONS:

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

   ANSWER ALL THE QUESTIONS

SECTION B: CONSISTS OF 4 SHORT QUESTIONS

   ANSWER ALL THE QUESTIONS (10 MARKS)

SECTION C: CONSISTS OF 3 LONG ANSWER QUESTIONS

   ANSWER ALL THE QUESTIONS (40 MARKS)

SECTION D: CONSISTS OF 3 INTERPRETATIVE QUESTIONS

   ANSWER ONE OF THE QUESTIONS (20 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.

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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. One reason for holding stock is:
   (a) to keep warehouse staff busy.
   (b) for insurance purposes.
   (c) to please customers.
   (d) for economy.

2. Which of the following is the ordering cost calculation?
   (a) \( \frac{\text{annual demand}}{\text{order quantity}} \times \text{cost of placing an order} \)
   (b) \( \frac{\text{monthly demand}}{\text{order quantity}} \times \text{cost of selling an item} \)
   (c) \( \frac{\text{order quantity}}{2} \times \text{unit price} \times \text{carrying charge (\%)} \)
   (d) \( \frac{\text{annual demand} \times \text{order quantity}}{\text{cost of placing an order}} \)

3. Value equals price:
   (a) multiplied by quality.
   (b) multiplied by quantity.
   (c) divided by quality.
   (d) divided by quantity.

4. The acronym LIFO refers to:
   (a) latest information for operation.
   (b) last intermediary, final order.
   (c) last in, first out.
   (d) lacking in final order.

5. Stockouts cost money because of:
   (a) decreased overheads.
   (b) increased sales.
   (c) satisfied customers.
   (d) back-order costs.
6. Specification of goods is based on:
   (a) barcod standards.
   (b) industry standards.
   (c) ethical requirements.
   (d) sales statistics.

7. The _____ stage is one of the stages in the selection process of potential suppliers.
   (a) elementary
   (b) extra
   (c) enquiry
   (d) expectation

8. An advantage of local buying is:
   (a) a stronger rand price.
   (b) quicker deliveries.
   (c) the high gold price.
   (d) the exchange rate.

9. Successful negotiation is part of:
   (a) making new friends.
   (b) playing more golf.
   (c) the business process.
   (d) natural selection.

10. An advantage of centralised purchasing is:
    (a) economy of scale.
    (b) economy of effort.
    (c) economy of action.
    (d) economy of management.

(ii) **TRUE OR FALSE QUESTIONS**

Choose whether the following statements are True or False. Motivate all your answers.

1. Industrial buyers are those who buy for the middleman.

2. Warehouse management is the total management of the supply chain.

3. Technology in purchasing is a bad idea.

4. Made-to-order items are made specifically for a customer.

5. Dr Joseph Duran was a pioneer of quality education in Japan. [5 × 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. a disadvantage of the negotiation process</td>
<td>(a) benchmark to select new suppliers</td>
</tr>
<tr>
<td>2. quality is free and not a gift</td>
<td>(b) seller agrees to make the goods available to the buyer on the wharf at destination named</td>
</tr>
<tr>
<td>3. ISO 9000</td>
<td>(c) taking a stand, allowing more concessions</td>
</tr>
<tr>
<td>4. ex quay</td>
<td>(d) cost and freight</td>
</tr>
<tr>
<td>5. arbitration</td>
<td>(e) a statement by Phillip Crosby</td>
</tr>
<tr>
<td>6. the well is dry</td>
<td>(f) necessary to resolve a dispute between parties</td>
</tr>
<tr>
<td>7. antagonistic</td>
<td>(g) selling your idea to one of the opposition's team</td>
</tr>
<tr>
<td>8. conflict of interest</td>
<td>(h) when interests or needs of two parties clash</td>
</tr>
<tr>
<td>9. divide and conquer</td>
<td>(i) parties are enemies</td>
</tr>
<tr>
<td>10. C &amp; F</td>
<td>(j) it can take a long time to conclude</td>
</tr>
</tbody>
</table>
SECTION B: SHORT QUESTIONS (10 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
List two purchasing activities. [2]

QUESTION 2
Identify the advantages of centralised purchasing. [3]

QUESTION 3
Describe two aims of a purchasing manual. [2]

QUESTION 4
Define the term logistics management. [3]
SECTION C: LONG ANSWER QUESTIONS (40 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
(a) List five objectives of purchasing. (5)
(b) Identify five logistics challenges in today's competitive world. (5) [10]

QUESTION 2
(a) Differentiate between policies and procedures. (4)
(b) Name six of the costs incurred by internal failures. (6) [10]

QUESTION 3
(a) Name five elements of manufacturing lead time. (5)
(b) List ten of the common negotiating tactics for short-term suppliers. (10)
(c) Name the five criteria used for creating a supplier-rating programme. (5) [20]

[40]
SECTION D: INTERPRETATIVE QUESTIONS (20 MARKS)

ANSWER ONE OF THE QUESTIONS

QUESTION 1

(a) List the do's and don'ts of the negotiation phase. (12)

(b) Identify in the correct order the six stages in the process for developing a supplier partnership. (6)

(c) Explain the difference between a single source supplier and a sole supplier. (2) [20]

OR

QUESTION 2

(a) Describe the areas of research that the purchasing department may become engaged in. (5)

(b) Identify the benefits associated with written policies and procedures. (10)

(c) Describe five disadvantages of manual purchasing systems. (5) [20]

OR

QUESTION 3

(a) Name five factors (excluding the five basic factors) that determine the price of an item. (5)

(b) Discuss briefly the requirements for competition bidding. (5)

(c) List five methods of valuing stock for the purpose of pricing. (5)

(d) Name five types of appraisal costs to ensure conformance to company quality standards and performance requirements. (5) [20]

[20]