NOVEMBER 2012 EXAMINATION

DATE: 15 NOVEMBER 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 3 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 ANY 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.

Examiner: K Ngang
(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. The advantage of buying goods from many suppliers is that:
   (a) goods are uniform.
   (b) there is only one supply channel.
   (c) there is less likelihood of supply failure.
   (d) clerical work is reduced.

2. Packing goods in a unit load device is known as:
   (a) primary packaging.
   (b) tertiary packaging.
   (c) secondary packaging.
   (d) None of the above.

3. The abbreviation MTO stands for:
   (a) materials organising.
   (b) marketing and transportation organisation.
   (c) manufactured to order.
   (d) make-to-order.

4. A seller's market is a situation where:
   (a) the seller has the power to set prices and terms.
   (b) the buyer holds the initiative with respect to price and terms.
   (c) the seller has no power to set the prices.
   (d) there is price negotiation.

5. The value of stock can be expressed as:
   (a) price \times value = quantity.
   (b) value = price \times quantity.
   (c) quantity = price – value.
   (d) Both (a) and (c).

6. Total quality management results in:
   (a) greater productivity.
   (b) increased costs.
   (c) increased waste.
   (d) lower sales.
7. There are _____ methods to test quality.
   (a) one
   (b) two
   (c) three
   (d) four

8. The INCOTERM CFR stands for:
   (a) cost, insurance and freight.
   (b) carriage and freight.
   (c) carriage, insurance and freight.
   (d) cost and freight.

9. Intermediate buying is:
   (a) buying goods for commercial use.
   (b) buying capital goods.
   (c) purchasing goods for consumption.
   (d) purchasing goods for re-sale.

10. Which one of the following is a cost of external failure?
    (a) warranty claims
    (b) re-work
    (c) re-inspection
    (d) re-test

(ii) TRUE OR FALSE QUESTIONS

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

1. Order quantity is determined by factors such as physical space.
2. Quantity trade discounts are not negotiable.
3. Local buying has the advantage of quick deliveries.
4. 'Fitness for use' means quality to a customer.
5. An intermediate buyer buys goods for commercial use.
(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 purchasing activity</td>
<td>(a) a request for quotation</td>
</tr>
<tr>
<td>2. materials management involves</td>
<td>(b) unforeseen demand</td>
</tr>
<tr>
<td>3. a stock valuation method</td>
<td>(c) quality planning</td>
</tr>
<tr>
<td>4. a purchasing document</td>
<td>(d) maintenance, repair and operating items</td>
</tr>
<tr>
<td>5. items of small value</td>
<td>(e) reduces stock holding costs</td>
</tr>
<tr>
<td>6. success in forecasting calls for</td>
<td>(f) procurement decisions</td>
</tr>
<tr>
<td>7. local buying</td>
<td>(g) materials handling</td>
</tr>
<tr>
<td>8. quality management involves</td>
<td>(h) demand for the product</td>
</tr>
<tr>
<td>9. right order quantity can be determined by</td>
<td>(i) replacement costs</td>
</tr>
<tr>
<td>10. stock can be held to cater for</td>
<td>(j) a wide knowledge of the economic factors</td>
</tr>
</tbody>
</table>

[10]

[30]
SECTION B: SHORT QUESTIONS (10 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
Define the term 'commodity'. [2]

QUESTION 2
Identify the two methods of testing quality. [2]

QUESTION 3
(a)  i.  Give one way of requesting a quotation. (1)
   ii.  Name the first two stages of a product life cycle. (2)

(b)  Name and briefly explain the three steps of quality management in
     Juran's quality trilogy. (3) [6]

[10]
SECTION C: LONG ANSWER QUESTIONS (40 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
(a) List five objectives of purchasing (5)
(b) Name and describe any five documents used in purchasing. (5) [10]

QUESTION 2
Identify the factors that determine order quantity. [10]

QUESTION 3
(a) i. Explain 'forward purchasing'. (5)
    ii. List any five stock valuation methods. (5)
(b) Identify the five areas of research covered by the purchasing department. (5 x 2 = 10) [20] [40]
SECTION D: INTERPRETATIVE QUESTIONS  (20 MARKS)

ANSWER ONE OF THE QUESTIONS

QUESTION 1

(a) Identify and explain the five factors that determine price.  
(5 × 2 = 10)

(b) Outline the factors that influence the decision to buy rather than make.  
(5 × 2 = 10)  [20]

OR

QUESTION 2

Identify and explain the duties of the purchasing department.  [20]

OR

QUESTION 3

(a) i. Identify any four basic functions of packaging.  
(4)

ii. Identify and explain the three stages of the supplier selection process.  
(3 × 2 = 6)

(b) Identify and discuss the four advantages of local buying.  
(10)  [20]

[20]

Section A: 30 marks
Section B: 10 marks
Section C: 40 marks
Section D: 20 marks
TOTAL: 100 MARKS