NOVEMBER 2013 EXAMINATION

DATE: 14 NOVEMBER 2013

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 TWO 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.
(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. You are the purchasing manager of MARANATA CC, a company that deals with producing ‘ranata juice’. Which of the following is part of the four purchasing activities?
   (a) cancellation of requirements  
   (b) the scoring decision  
   (c) the meta process  
   (d) the procurement process.

2. Which of the following ways can the purchasing department contribute to productivity?
   (a) desired customer service level goals  
   (b) ensuring goods are bought at the right price  
   (c) manageable size of the backlog  
   (d) Ringing the bell.

3. Which of the following is **not** a purchasing objective?
   (a) buying the right quality  
   (b) buying at the right sound  
   (c) buying at the right price  
   (d) buying at the right quantity

4. Which of the following are generally accepted approaches to determining a price for a new purchase?
   (a) make use of a supplier’s published price list  
   (b) the process of competitive bidding  
   (c) demand and supply  
   (d) negotiating.

5. What is the last step of the six-step process in developing supplier partnerships?
   (a) review current supplier base  
   (b) conduct a quality systems audit  
   (c) follow up  
   (d) quality rounding up
6. Factor(s) that can influence obsolescence include:
   (a) shelf life  
   (b) labour hours  
   (c) weather forecast  
   (d) refrigeration

7. The shareholders of SAPREF Ltd are:
   (a) top management  
   (b) middle management  
   (c) owners of the company  
   (d) silent partners

8. The department where logistics and procurement sit is known as:
   (a) Marketing  
   (b) Finance  
   (c) Production  
   (d) Purchasing

9. The duties of a typical purchasing department include:
   (a) separating the stores.  
   (b) the room temperature.  
   (c) not co-operating with other departments in determining their needs.  
   (d) controlling stock and replenishing as required.

10. Which of the following does not form part of the manufacturing lead time?
    (a) queue time  
    (b) lunch time  
    (c) set up time  
    (d) run time

(ii) **TRUE OR FALSE QUESTIONS**

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

1. Institutional buyers include the group of buyers who purchase goods for re-sale. They are often referred to as the intermediaries.

2. In a buyer's market, the available supplies of a commodity are much less than the demand for it.

3. The FIFO abbreviation with regard to inventory stands for Five in Four Out.

4. Fitness for use: means that the product must do what the customers say it can do.

5. The two-bin system is a fixed order quantity system where the inventory is carried in three bins.  

   [5 × 2 = 10]
(iii) **MATCHING-STATEMENT QUESTIONS**

Match the statements in Column A to the terms in Column B. 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. someone who purchases on behalf of an organisation</td>
<td>(a) negotiation</td>
</tr>
<tr>
<td>2. the actual prices that prevail in the market at any given time; they reflect the value that buyers place on the seller's offerings</td>
<td>(b) pick time</td>
</tr>
<tr>
<td>3. the element of total manufacturing lead-time required to pick the components and raw materials for the job in hand</td>
<td>(c) a policy</td>
</tr>
<tr>
<td>4. procedure of fixing a price that is mutually acceptable to buyer and seller</td>
<td>(d) procedure</td>
</tr>
<tr>
<td>5. the costs necessary to ensure the safety of the product while it is in storage</td>
<td>(e) bill of material</td>
</tr>
<tr>
<td>6. that extra bit of inventory that is kept to buffer supply from demand</td>
<td>(f) safety stock</td>
</tr>
<tr>
<td>7. just in time</td>
<td>(g) JIT</td>
</tr>
<tr>
<td>8. broad statement of intent designed to guide behaviour toward accomplishing specific organisational objectives</td>
<td>(h) carrying costs</td>
</tr>
<tr>
<td>9. a listing of all the raw materials, components, and assemblies needed to make one end product</td>
<td>(i) going prices</td>
</tr>
<tr>
<td>10. more detailed guidelines for performing the specific repetitive activities necessary to achieve these objectives</td>
<td>(j) buyer</td>
</tr>
</tbody>
</table>
SECTION B: SHORT QUESTIONS (10 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1

Comment on the recognition of ‘purchasing’ as a profession. [2]

QUESTION 2

Companies have two sets of customers.

(a) Name these two sets of customers. (2)

(b) Briefly define these two sets of customers. (4) [6]

QUESTION 3

You are doing research on Caltex and currently compiling your notes on the competitors of Caltex.

Name any two competitors to Caltex. [2]

[10]
SECTION C: LONG ANSWER QUESTIONS  

(40 MARKS)

ANSWER ALL THE QUESTIONS

QUESTION 1
Purchasing refers to a business or organisation attempting to acquiring goods or services to accomplish the goals of its enterprise.

Outline the various areas of research that the purchasing department may become involved in. [10]

QUESTION 2
(a) As a purchasing manager of Stompie Manufacturers, you have been requested to name five methods of valuing stock to be used during pricing. (5)

(b) Briefly explain how each of the five methods named above, are used in relation to pricing. (5 × 2 = 10) [15]

QUESTION 3
Successful negotiation is not a social exercise in winning friends. It is a business process.

During negotiations, three kinds of relationships may be present between buyer and seller.

(a) Name these three relationships and briefly explain each one. (3 × 3 = 9)

(b) Mention six topics / terms you may choose to negotiate. (6) [15]

[40]
SECTION D: INTERPRETATIVE QUESTIONS  

(20 MARKS)

ANSWER ANY ONE OF THE QUESTIONS

QUESTION 1
Competitive bidding by requesting quotations from two or more vendors introduces the element of competition into the buying process. Competitive bidding can be used for both standard and non-standard products. However, this type of bidding is only really effective when certain criteria are met.

(a) Name the five criteria that must be met for competitive bidding to be effective.  

(b) If you are going to engage in competitive buying, you need to understand the causes of price variations in competitive buying.

Name only five causes of price variations in competitive buying.

OR

QUESTION 2
We can identify five basic factors that influence the determination of price in any given situation at a given time.

Name and explain in detail the five factors that influence price.

OR

QUESTION 3
As a purchasing manager at Sukasambe (Pty) Ltd, you understand that negotiating tactics change depending on whether you are negotiating with long-term or short-term suppliers.

Outline only ten tactics that are most commonly used by buyers negotiating with short-term suppliers.

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