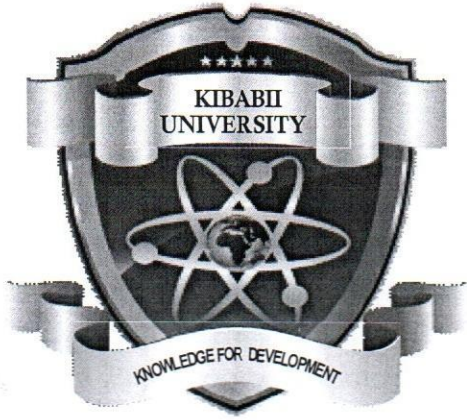


13

KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS

2019/2020 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE
COURSE CODE: BCP 333
COURSE TITLE: MATERIAL AND STORAGE
MANAGEMENT

DATE: 08/02/2021

TIME: 8.00AM-10.00AM

INSTRUCTION TO CANDIDATES

- 1) The paper contains **FIVE** questions
- 2) Attempt **THREE** questions
- 3) Question **ONE** is Compulsory

TIME: 2 Hours

KIBU observes **ZERO** tolerance to examination cheating

SECTION ONE

QUESTION ONE

Case study on Eagle Machine Company

The Eagle Machine Company has fallen on bad times. Eagle, a market of speciality restaurant equipment, has sales totaling Ksh.72 million. But sales are declining while costs continue to increase. If things continue in this direction, Eagle may soon have to close its doors. At a special management meeting, the president lays it on the line! He demands that the firm break even in the remaining quarter of the year. For next year, he calls for 5 percent profits, a 20 percent increase in sales, and deeper cuts in labor, material and overhead. Later in the day, the president calls Mr.Manasess, V.P. - Finance & Accounts, in for a discussion.

“Manasess, I want you, Finance & Accounts people to carry the ball at the start of this game. We can't get sales moving for six months. But you can improve your housekeeping and Eagles profit-right away. Just think what you can do to that chart! Every penny you save is profit! So take a close look at what we buy & what we sell. I don't care how you make your savings by negotiations of inventories, imports, anything. But put the screws on tight right away.

“Start with inventories, they're Sky high. So get together with manufacturing on a 10 percent cut! We have got Ksh.12 million worth of materials stashed away around here, and a percent cut would save at least Ksh. 300,000 a year in carrying charges. At the same time. Get your payroll and operating expenses down 10 percent. That's in line with our company wide cut back. I know this hurts, Manasess, because we have got some mighty fine people here in purchasing, but we cant be sentimental these days. Our overhead has got to come down or we're dead!

“I'm having an executive committee meeting in one weeks time. Have your plans ready by that time! We're betting on you, Manasess. You have got to get us out of the hole. I know you can do it. Please interact and develop a harmonious proposal”

Mr. Manasess starts a review along with other departments. The purchases total only Ksh. 43.2 million per year. Eagle buy, a wide variety of materials, ranging from a few kilogram of rare metals to sizable quantities of metal sheet. A big part of the Kenya Shillings volume is in non ferrous castings, forgings, stampings, fasteners and sub-assemblies.

The purchasing department consists of one senior Manager, three buyers, and four clerks. Salaries, fringes and expenses sum to Ksh.370,000 a year. The purchasing department is responsible only for buying and expediting; the manufacturing manager

handles production, inventory control, receiving and traffic. Manases reports to the president, as do other department heads.

Manases learns from inventory control that raw stock inventory is Ksh. 12.2 million. The marketing manager controls finished goods stocks. Manases wonders how he can deliver the cost reduction program.

Questions:

- a) Inventory accounts for a greater percentage in an organisation though its not handled well at Eagle Machine Company. Discuss the symptoms of poor inventory management. (8 marks)
- b) Eagle Machine Company would easily come up with the concept of EOQ in controlling their inventories. As a procurement student help Manases understand the EOQ concept and derivation of the model (8 marks)
- c) What dangers, if any, are there in reducing inventories (8 marks)
- d) Explain the steps taken when doing an audit of the stores department. (6 marks)

QUESTION TWO

- a) Highlight any five Importance of material management (10 marks)
- b) As a reputable store officer, discuss the advantages of keeping less or no stock of any kind in your organization (10 marks)

QUESTION THREE

- (a) Explain the concept of material requirement planning (MRP) system. (10 marks)
- (b) Write short notes on
 - (i) Manufacturing Resource Management (2 marks)
 - (ii) ABC analysis (2 marks)
 - (iii) Economic order quantity [EOQ] (2 marks)
 - (iv) Cross docking (2 marks)
 - (v) Standardization

QUESTION FOUR

- a) Discuss the consideration a materials manager needs in the implementation of Materials Requirement Planning (12 marks)
- b) Store security ranges from physical security measures, personnel and general building considerations. What factors are to be considered to ensure stores security under personnel aspect? (8 marks)