

KIBABII UNIVERSITY



**UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER**

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCP 322

**COURSE TITLE: MATERIAL AND STORAGE
MANAGEMENT**

DATE: 05/09/2022

TIME: 9.00 – 11.00AM

INSTRUCTION TO CANDIDATES

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

KIBU observes ZERO tolerance to examination cheating

QUESTION ONE

CASE STUDY

You have applied for the position of head procurement and inventory management at Refined bus Ltd. They have a large manufacturing site in Doncaster, England. On the same site there is a service support Centre (SSC) who supply parts to any company operating buses manufactured in the past by Refined Bus Ltd

You are to be interviewed tomorrow, by Refined Bus managing director who has sent you some outline information. The annual procurement expenditure is \$325 million and ten strategic suppliers account for 80 per cent of the expenditure. They supply products such as, aluminium sheets, glass, seating, tubular fabrications, doors, carpeting and electronic. Inventory carried for production is currently \$96 million. The SSC annual sales are \$30 million and they have \$26 million of inventory and have a client demand satisfaction rate of 67.3 per cent. Refined Bus are supplying parts for the vehicles that were manufactured more than 20 years ago.

The managing director, in his letter, advises you that if you are the successful candidate he will demand dramatic improvements in procurement (who do not practice JIT or partnering) and inventory where the working capital is not used effectively. You will be asked at the interview to explain the approaches you would follow to deliver significant business benefits.

- a) What two specific techniques will you explain to the Managing Director as being relevant in this situation and why? (10 marks)
- b) Should procurement have accountability for inventory management? If you are asked to explain your reasons for procurement having such accountability what would be your reasons? (10 marks)
- c) Assuming you were picked for the position applied, Highlight and elaborate on any five most common yet major responsibilities that you are to carry at your Stores (10 marks)

QUESTION TWO

- a) Discuss the reasons why it is important to make provision for obsolescence and deterioration of materials in a store house. (8 marks)

- b) Explain the contribution of Electronic Data Interchange (EDI) to stock management and assess the challenges associated with its implementation. (12 marks)

QUESTION THREE

- a) Warehouse location is an important factor in stores and materials management. Highlight factors to consider when choosing a warehouse location. (10 marks)
- b) A great deal of attention is being paid to quality in the industry today. How does the process of inspection ensures quality in the receipt of materials (10 marks)

QUESTION FOUR

- a) Safety stocks are mainly used in a "Make To Stock" manufacturing strategy. This strategy is employed when the lead time of manufacturing is too long to satisfy the customer demand at the right cost/quality/waiting time. Explain the reasons for having safety stock in business entity. (12 marks)
- b) What are the impacts of material requirement planning on purchasing and supply management (8 marks)

QUESTION FIVE

- a) "No organization can function smoothly at zero inventory; some inventories will always be needed". Analyze this statement. (10 marks)
- b) Demonstrate how excessive inventory can erode corporate profitability (10 marks)