

# KIBABII UNIVERSITY



## UNIVERSITY EXAMINATIONS

**2022/2023 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: 24/04/2023**

**TIME: 9:00-11:00 AM**

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### **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**

## QUESTION ONE

### CASE STUDY: INFONT Logistics International Ltd

INFONT is a reputable logistics company with headquarters at its multimillion-dollar Distribution Centre located just ten miles from the country's main seaport. The port handles all bulk imports and exports of its clients. INFONT also owns two warehouses within the country and has contracted an agent in each of the other five countries in the region. The services INFONT provides to its clients include warehousing, packaging and transportation of their finished products or production materials. It owns and operates transport vehicles; fork lift trucks and other material handling equipment (MHE). INFONT uses 10% of its warehouse space for its maintenance, repair and operational (MRO) requirements such as oils and tyres for the vehicles; pallets and plastic sheets for repacking split deliveries to clients; etc. In order to maintain the high level of service to its clients, a substantial part of the operating expenditure budget is allocated to staff and consultancy expenses. In addition, significant capital expenditure is also spent on a range of storage and handling equipment, vehicles and IT infrastructure. INFONT's agents are contractually required to maintain the same level of space for their MRO requirements.

Some well-known retailers and manufacturers are loyal clients and they rely on INFONT's high quality logistics services for their own successful competition in the market. INFONT's business had been stable and growing prior to year 1.

*Extracts from the Financial Statements and Budgets: INFONT Logistics International Ltd*

	Year 1 \$000	Year 2 \$000	Next Year (Plan) \$000
Turnover	33400	32800	30000
Gross Profit	9350	9840	9000
Operating Expenditure	4010	4920	6500
Capital Expenditure	1110	2060	9850

However, due to concerns over deteriorating agency service levels, INFONT has decided that next year it will not renew the contract with its agent in the neighbouring country. Instead it will purchase and directly operate its own warehouse in that country. This is a major decision that will require a complex analysis of INFONT's budget that involves many categories of spend to be considered in acquiring and operating the new warehousing facility.

- a) Discuss the factors that INFONT Logistics International Ltd would consider in the layout of their materials in the warehouse. (10 marks)
- b) Explain the material handling equipment found in INFONT Logistics International Ltd warehouse that enhance movement of materials from one point to another. (10 marks)
- c) What are the holding costs that INFONT Logistics International Ltd incurs in handling its stock materials. (10 marks)

### QUESTION TWO

- a) The responsibility for maintaining the quality of the product and incurring less cost on its production is the responsibility of the production/operation and deciding the price of the product and finding the customers that will buy it comes under marketing. Discuss what the materials management function does. (10 marks)
- b) Dependent demand inventory items do not need to be forecasted. Discuss. (10 marks)

### QUESTION THREE

- a) Briefly explain the reason for the evaluation of Manufacturing Resources Planning (MRP II) from Material Requirements Planning (MRP) with the help of a flow diagram. (10 marks)
- b) Explain the various losses in warehouses justifying the reasons of their generation and the procedure of preventing and controlling such losses. (10 marks)

### QUESTION FOUR

- a) With examples highlight various ways which organization may dispose redundant/obsolete materials. (10 marks)
- b) Discuss the benefits that the introduction of mechanized handling equipment brings to stores. (10 marks)

### QUESTION FIVE

- 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. (10 marks)
- b) Acceptance of goods is the initial flow of goods moving in the warehouse. Receipt of goods from the supplier does look easy, but if this does not have the system set up, then certainly would interfere with productivity. Explain the important aspects in the receipt of goods in a store. (10 marks)