

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

SECOND YER EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF PROCUREMENT AND LOGISTICS MANAGEMENT BPLM 211: STORES MANAGEMENT AND STOCK CONTROL

STREAMS: BPLM Y2S2

TIME: 2 HOURS

DAY/DATE: MONDAY 10/12/2018

2.30 PM – 4.30 PM

INSTRUCTIONS:

- Answer Question One and any other Two questions
- Be clear and neat, give examples where appropriate

CASE STUDY

“Inventory, inventory, inventory.... I am sick ad tired of hearing the complains about our inventory levels and the cost associated with caring inventory”, muttered Farbisch Owino Otieno, the store’s manager of Chuka motors assembly Co Ltd.

“What am I supposed to do? We need inventory for our daily company operation and we need inventory to satisfy our customers service requirement, I know that too much inventories increases the cost of units sold, which means higher prices or lower profit margins. Pressure is just too much to reduce inventory levels yet maintaining and even improve on service level required. I can’t wave a magic word and make the inventory go away and reappear when need it. The first time we are out of component for one of our car unit that we are assembling in the plant, or we can’t deliver parts in two or less hours to repair the car unit that we sold to Maguna-andu enterprises, I will be hung in effigy. I can’t seem to win for losing and I feel like everybody’s scapegoat these days.”

Farbisch Owino, a graduate from Chuka University was in his office alone so no one heard the conversation he was having with himself. The problem was that several members of the company board did not really understand the role of inventory in a company fact being that they did not take a course in stores and stock control at university level. To them inventory is an expense that increases the cost of units sold and it should be minimized and ideally eliminated if the company was going to continue to grow and be profitable.

N/B All the names of individuals and companies contained in this case study are fictional. Any resemblance to actual individuals or companies is purely coincidental.

QUESTION ONE (COMPULSORY) – 30 MARKS

- (a) Identify the inventory problems arising in the scenario above. [10 marks]
- (b) Advise Farbisch Owino on the action to undertake to solve the inventory problem experienced at Chuka motors assembly co ltd. [10 marks]
- (c) In reference to stores function what are the various classification of materials stored in stores. [10 marks]

QUESTION TWO

Briefly explain the relationship between stores department and the following functional areas in the procurement function:

- (a) Finance department [4 marks]
- (b) Production department [4 marks]
- (c) Marketing department [4 marks]
- (d) Quality department [4 marks]
- (e) Maintenance department [4 marks]

QUESTION THREE

Using examples discuss the following concepts in relation to strategic stores management. Use of diagrams to explain your answers are highly recommended.

- (a) MRP 1 [5 marks]
- (b) DRO [5 marks]
- (c) MRP II [5 marks]
- (d) EOQ [5 marks]

QUESTION FOUR

- (a) There are several ways of adding value to materials in a warehouse, explain five ways in which value is added to materials. [5 marks]
 - (b) Discuss the health, security and safety issues of warehouses and goods in firms. [7 marks]
 - (c) ‘Too much inventory in an organization is a necessary evil’/ Discuss. [8 marks]
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