



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION
DEPARTMENT OF MANAGEMENT**

QUALIFICATION: BACHELOR OF MANAGEMENT	
QUALIFICATION CODE: 07BBMA	LEVEL: 7
COURSE CODE: PSM611S	COURSE NAME: PURCHASING MANAGEMENT
SESSION: JUNE 2022	PAPER: 1
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Ms O.N Kangandjo Mr M Nelenge
MODERATOR:	Mr M B Simasiku

THIS QUESTION PAPER MEMO CONSISTS OF 4 PAGES (Including this front page)

INSTRUCTIONS	
1.	Answer all questions .
2.	Read all the questions carefully before answering.
3.	Marks for each question are indicated at the end of each question.
4.	Please ensure that your writing is legible, neat and presentable and start each Section on a new page.

PERMISSIBLE MATERIALS

1. Examination question paper
2. Examination answer sheet

SECTION A

Question 1

[83 Marks]

- 1.1 A manufacturer of vehicle parts consists of four separate business units, each of which undertakes its own purchasing activities.
- (a) Which type of a purchasing and supply organisational structure is employed by this manufacturer? (2)
- (b) Discuss four advantages of the purchasing and supply organisational structure identified in (a) above. (4)
- 1.2 Suppose you are the purchasing manager in your company and you must take the leading role in negotiations with a supplier about a long-term contract. Explain negotiation tactics that you would brief your team members about in preparation for these negotiations. (20)
- 1.3 You are the owner of a small business, a general dealer, in a rural area where the nearest town is 50 km away and your shop is the only one in a wide geographic area.
- (a) Explain why you think it is necessary to hold inventory for a wide range of items. (8)
- (b) Outline the various costs you will incur in carrying inventory. (10)
- 1.4 Explain five areas in which purchasing and supply chain management can make a contribution towards environmental sustainability. (10)
- 1.5 In order to execute a purchasing transaction, various activities should be performed in a logical sequence. Matroos aims to develop a standard purchasing process for her company. Identify the seven steps of the purchasing cycle that Matroos should consider in developing such a model. (7)
- 1.6 You are the Purchasing and Supply Manager of a newly established company. Part of your responsibilities entails the development of a purchasing policy or guideline that will enable the purchasing and supply function to make decisions more easily and to provide direction. You are required to outline any five issues that might be considered or addressed in such a policy. (10)
- 1.7 Tommy would like to convince the management of his company to implement an e-procurement system. Indicate two benefits of such a system? (2)
- 1.8 If you as the corporate purchasing and supply manager decided to start a small business purchasing programme, what problems do you foresee for your company and for the small supplier? (10)

Read the case below and answer the questions that follow.

Russia-Ukraine war to make potato chips expensive

Business - News | 2022-03-16

by Lazarus Amukeshe

COOKING oil prices are up the roof, and the Russia-Ukraine war is expected to make matters worse, especially for fried potato chips lovers – a Namibian youth delicacy. Students, construction workers and young professionals are the frequent consumers of potato chips, which now – all thanks to the Russian-Ukraine war – are set to become expensive and probably not fill enough bellies from next week.

Workers at a popular fast food hotspot in central Windhoek yesterday told The Namibian that a price hike is inevitable, and consumers should be ready for a 15% plus increase. Despite Russia/Ukraine being thousands of miles away, the war has sent edible food prices soaring. Potato chips use a lot of cooking oil.

Ukraine and Russia are key players in the supply of vegetable oil. The workers interviewed by The Namibian said the price of the cooking oil has drastically risen this year compared to last year. They indicated that 20 litres of cooking oil last year cost about N\$475 compared to approximately N\$700 this year.

In neighbouring South Africa, the situation is no different. “The impact of the increase in cooking oil [price] within the food industry is expected to realise in the processing industry on frozen potato produce, such as French fries and wedges, as well as crisps,” said Potatoes South Africa, a non-governmental organisation that protects the potato industry in that country. The hospitality and quick service restaurants industries will not be left untouched, it said.

“We do foresee consumers feeling the pinch as the suppliers of chips will have to adjust their current pricing based on an increase in one of their main inputs, which is cooking oil,” said Potatoes South Africa.

The Russian invasion into Ukraine sent the prices of several essential commodities soaring, including oils such as sunflower oil. Although South Africa produces vegetable oil, it does not make enough to meet local demand, and imports (about 20% above local production) are heavily dependent on the Black Sea region.

The other major input cost for fried chips is either electricity or gas used for cooking – both of which are rising sharply.

Source: <https://www.namibian.com.na/110857/read/Russia-Ukraine-war-to-make-potato-chips-expensive>

- 2.1 Kraljic's product classification matrix is a powerful tool designed with the purpose of helping purchasers to maximize supply security and reduce costs by making the most of their purchasing power. You are required to draw this product matrix. (6)
- 2.2 On which quadrant of Kraljic's product classification matrix would fast food restaurants and take-aways place cooking oil? (2)
- 2.3 Based on your answer above, you are required to advise fast food restaurants and take-aways about the possible strategies to pursue. Motivate your answer. (4)
- 2.4 Are the fried potato chips lovers in Namibia affected by the war in Ukraine? If yes, how are they affected? If no, why are they not affected? (4)
- 2.5 On the supply chain of cooking oil, what are fried potato chips lovers called? (1)

END OF THE QUESTION PAPER

Dr. Asa R Asa