



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

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

<b>QUALIFICATION: BACHELOR OF MANAGEMENT</b>	
<b>QUALIFICATION CODE: 07BBMA</b>	<b>LEVEL: 7</b>
<b>COURSE CODE: PSM611S</b>	<b>COURSE NAME: PURCHASING AND SUPPLY MANAGEMENT</b>
<b>SESSION: JUNE 2024</b>	<b>PAPER: 1</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

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

**THIS QUESTION PAPER CONSISTS OF 7 PAGES** (Including this front page)

<b>INSTRUCTIONS</b>	
1.	Answer <b>all questions</b> .
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. Start each Section on a new page.

**PERMISSIBLE MATERIALS**

1. Examination question paper
2. Examination answer sheet

**SECTION A**

**Question 1**

**[20 Marks]**

Select the correct answer by indicating the correct letter next to the corresponding question number in the answer book provided. For example, 1.1 d.

- 1.1 Which of the following cannot be associated with the basic SCM philosophy?
- a. Networks
  - b. Transparency
  - c. Cost focus
  - d. Relationships
- 1.2 In perfectly competitive free markets purchasing prices are determined by \_\_\_\_\_
- a. Suppliers
  - b. Purchasing firm
  - c. Market forces
  - d. Competitors
- 1.3 The following are inventory-holding costs, except:
- a. Capital costs
  - b. Storage costs
  - c. Inventory ordering costs
  - d. Inventory risk costs
- 1.4 Which of the following objectives is performed at the operational level in purchasing and supply?
- a. Analysing inventory
  - b. Studying alternative control systems
  - c. Developing existing suppliers
  - d. Ensuring availability of purchasing requirements
- 1.5 These items in the ABC analysis need careful consideration since they are responsible for the major part of the inventory investment:
- a. A items
  - b. B items
  - c. C items
  - d. D items
- 1.6 Large inventories will \_\_\_\_\_ the cost of stock shortage.
- a. Decrease
  - b. Increase
  - c. Equal
  - d. Not affect
- 1.7 Select the correct statement below.
- a. MRP is a computerised information system.
  - b. MRP and ECR are virtually identical concepts.
  - c. MRP use kanbans as inputs.
  - d. MRP has nothing to do with inventory mangement

- 1.8 Which of the following combinations of concepts best reflect the nature of supply management?
- i. Strategic focus, systems approach, short-term view
  - ii. Short-term view, organisational goals, progressive approach
  - iii. Strategic role, strategic focus
  - iv. Total cost of ownership, customer satisfaction
- a. i. and ii
  - b. i, ii and iii
  - c. iii and iv
  - d. i and iv
- 1.9 When using 'ABC' approach to stock categorisation. Which of the following describes class 'C' items?
- a. High value, high risk
  - b. High value, low risk
  - c. Low value, high risk
  - d. Low value, low risk
- 1.10 Problems with disadvantaged small business purchasing programmes include
- a. economic empowerment
  - b. small business promotion
  - c. job creation
  - d. communication

**Question 1 (True or False)****[10 Marks]**Indicate whether the following statements are **True** or **False**.

<b>Which of the following statements are true or false?</b>	
2.1	Logistics management only involves the safety storage of materials.
2.2	Supply management has a major impact on the net income of the firm because it increases input costs and reduces sales revenue.
2.3	The purchasing and supply function of a firm operates independently from the other enterprise functions.
2.4	Just In Time philosophy requires high levels of inventory in order to secure an uninterrupted flow of materials.
2.5	Strategic plans formulated at top management of purchasing and supply management are implemented and executed at top level management.
2.6	A delivery note is one of the documents used by user departments to communicate their needs to the purchasing function.
2.7	The size of suppliers does not matter when developing supply policies and strategies.
2.8	The supplier selection decision is based on a uniform set of weighted criteria that can be applied to every purchase.
2.9	In a transactional relationship buyer and seller do not get closely involved with each other, but simply exchange goods or services for payment.
2.10	Uncertainty arises from a person's imperfect state of knowledge concerning future events.

**SECTION B**

**Question 3**

**[55 Marks]**

- 3.1 Tekla aims to develop a standard sourcing process for her company. One element of this will be to use a selection criterion that will enable her to identify appropriate external suppliers. Explain any three selection criteria that Tekla might use to identify appropriate external suppliers (6)
- 3.2 Explain the areas in which purchasing and supply chain management make a contribution to environmental sustainability and thus contributing to environmental performance. (6)
- 3.3 Purchasers have power over large sums of money and they probably have the greatest say in terms of which supplier will receive an order. Thus they could be exposed to unethical temptations. Identify three areas of unethical conduct amongst purchasers which should always be avoided. (6)
- 3.4 Effectively, strategic sourcing formalises the way information is gathered in supply chain management. By means of a diagram, illustrate the Strategic sourcing process. (6)
- 3.5 Mazo Pty Ltd is a Namibian auto retailer company with operations in all major towns of the country. All the company's purchasing activities are managed from the company's head office in Windhoek.
- (a) What type of a purchasing structure are we observing here? (2)
  - (b) Explain two advantages of such a structure. (4)
- 3.6 Any competent buyer needs to be aware and be able to manage risk. Identify the strategies a buyer would employ to deal with or eliminate purchasing and supply risk. (5)
- 3.7 Kraljic's product portfolio matrix is an important strategic tool that enables organizations to prioritise procurement activities, manage supply chain risks, and improve supplier relationships. You are required to draw Kraljic's Product Purchasing classification matrix. (10)
- 3.8 The use of tactics in negotiations at the right time can lead to a better result for negotiators or rescue them from a difficult situation. At the same time, tactics accelerate the decision-making process because they compel people to make decisions. Explain any four tactics that may be useful in constructive negotiations. (4)
- 3.9 A buyer has to be knowledgeable about the market structure or conditions present in the most important supply markets to be able to analyse purchasing prices. Distinguish between the different market forms or conditions and how they can affect buying prices. (6)

#### Question 4

[15 Marks]

Read the newspaper article below and answer the questions thereafter.

### **LUTOMBI UNHAPPY ABOUT DELAYED ROADWORKS**

Project behind by more than two months

The project involves the upgrading of a 16.3-kilometre stretch of road, and began in October last year.

Tuyeimo Haidula

2 DAY AGO - 2024-04-09 12:21:00

Roads Authority (RA) CEO Conrad Lutombi is not impressed with slow progress on a road upgrade in the Oshikoto Region. This after the RA and the Road Fund Administration (RFA) last week made a trip to inspect ongoing construction on the Engoyi-Omuntele road.

The project involves the upgrading of a 16.3-kilometre stretch, and began in October last year. The construction was due to be completed by September, but according to Lutombi, the project is behind by two-and-a-half months.

So far, only N\$5 million of the allocated N\$43 million for the project has been spent. "An amount of N\$20 million should have been spent on the project thus far. This is unacceptable as it is a setback for the community which requires service delivery," he said, adding that only six kilometres of the 16-kilometre road has been worked on.

"I am not happy, and I made it very clear during the meeting with the contractor and the consultant, as well as the one official who is on this project. We need to pull up our socks," he said.

The RA will do another follow-up to check on the project's progress in May, Lutombi said, and will in the meantime issue the contractor a 21-day notice to accelerate the development without compromising on quality.

"And those officials, we hold them accountable to make sure that they are on the project. We can't stay in the office. Our work is here. If people are sitting in the office and there is a delay and we are coming from Windhoek to come and find this, we cannot tolerate that, and we are serious about that. If people don't want to work, they must go and find a job somewhere else," Lutombi fumed.

Roads Contractor Company (RCC) acting CEO Dasius Nelumbu guaranteed that the project will be completed by September as promised. He added that they will redouble efforts to ensure the project is completed on time, even if it means they need to bring in a second or a third team to meet the deadline.

Source: <https://www.namibiansun.com/infrastructure/lutombi-unhappy-about-delayed-roadworks2024-04-09-111383>

- 4.1 The purchasing cycle plays a crucial role in enhancing efficiency, and aligning procurement activities with organizational goals. Outline the seven steps of the purchasing cycle. (7)
- 4.2 According to the article the RA (Roads Authority) and the Road Fund Administration (RFA) Chief Executive Officers made a trip last week to inspect ongoing construction on the Engoyi-Omuntele road. Which specific step of the purchasing cycle was being carried out and why was it necessary to carry out that step? (6)
- 4.3 What were the findings of the purchasing cycle step that was carried out by the CEOs of RA and RFA? (2)

*END OF THE QUESTION PAPER.*