



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS JANUARY – APRIL 2019 SEMESTER**

### **CERTIFICATE IN PURCHASING AND SUPPLY MANAGEMENT**

**COURSE CODE: CIPS 002**

**COURSE TITLE: FUNDAMENTALS OF STORES MANAGEMENT**

**DATE: 10 APRIL 2019**

**TIME: 11.30 AM – 1.30 PM**

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#### **INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** *All exam rooms are under CCTV surveillance during the examination period.*

## **SECTION A: COMPULSORY**

### **Question One**

- (a) Effective materials handling and storage enhances work efficiency and also reduces the chance of generating waste as a result of careless usage or damage. In line with this statement, explain five benefits of material management **[10 Marks]**
- (b) Explain the five characteristics with regard to storage and handling **[10 Marks]**
- (c) One of the most important aspects of every item based business is your inventory. Your inventory is the main source of your revenue, so it is essential to be smart about making decisions about how much you should store and how much to reorder. However there are some reasons against holding inventories. Highlight five reasons against holding inventories **[10 Marks]**
- (d) Issue methods indicate when and how material issues to work orders and manufacturing orders are reported. Explain five methods of issuing goods **[10 Marks]**

## **SECTION B: ANSWER ANY THREE QUESTIONS**

### **Question two**

- (a) Choice of storage handling equipment has to be done carefully. Discuss five principles to be considered during selection of storage handling equipment **[10 Marks]**
- (b) Organizations hold different types of inventories at different times. Discuss five types of inventories **[10 Marks]**

### **Question Three**

- (a) Economic order quantity is defined as the ordering quantities which minimizes the balance of cost between inventory holding costs and re-order costs. Without these assumptions, the EOQ model cannot work to its optimal potential. five major assumptions of simple economic order quantity **[10 Marks]**
- (b) Inventories are an important ingredient in any organization. However, apart from the cost of procuring these inventories, there are other related costs. Discuss five inventory related costs **[10 Marks]**

### **Question Four**

- (a) Sometimes, the cost of material used in production surpasses the wages and production overheads. Hence, the proper management and control of the capital invested on the material or inventory should be the prime responsibility of accounting department. In line with this statement, discuss five objectives of inventory control **[10 Marks]**

- (b) The Just in Time inventory system is a shift away from other just in time strategies; in which producers hold large inventories to have enough products to absorb maximum market demand.
- Explain five benefits of Just in Time purchasing **[10 Marks]**

**Question Five**

- (a) Inventory is a necessary evil that every organization would have to maintain for various purposes. Optimum inventory management is the goal of every inventory planner. Discuss five reasons for holding inventories and their effects **[10 Marks]**
- (b) The goal of the Economic Order Quantity formula is to identify the optimal number of product units to order so that a company can minimize its costs related to buying, taking delivery of and storing the units. However EOQ may be misleading. Explain five reasons why Economic Order Quantity may be misleading **[10 Marks]**