



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2013/2014

**FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR
THE DEGREE OF MASTER OF SCIENCE IN
PURCHASING AND SUPPLY CHAIN MANAGEMENT
(CITY CAMPUS - EVENING)**

MSM 809: SUPPLY AND INVENTORY MANAGEMENT

Date: 22nd July, 2014

Time: 5.30 – 8.30 p.m.

INSTRUCTIONS:

- Answer ANY FOUR questions. All questions carry equal marks.



QUESTION ONE (15 MARKS)

- a) Explain the major dangers of holding excess inventory in the business. (5 marks)
- b) Describe independent demand of any chosen product with the aid of clear examples. (5 marks)
- c) Outline the objectives of management of inventory and purchases. (5 marks)

QUESTION TWO (15 MARKS)

- a) Identify the steps that are followed in the implementation of the ABC plan. (10 marks)
- b) Explain the qualities of effective inventory management. (5 marks)

QUESTION THREE (15 MARKS)

- a) Write short notes on inventory information systems. (5 marks)
- b) A manufacturing company has an expected usage of 50,000 units of a certain product during the next year. The cost of processing an order is Kshs 20 and the carrying cost per unit is Kshs 0.50 for one year. Lead time on an order is five days and the company will keep a reserve supply of two days' usage.

Required:

- i) The Economic Order Quantity (5 marks)
- ii) The Re-order point. (5 marks)

QUESTION FOUR (15 MARKS)

- a) Discuss the general motives for holding inventory in an organization. (5 marks)
- b) Explain the benefits of keeping inventory. (10 marks)

QUESTION FIVE (15 MARKS)

- a) a) Explain the term "Safety Stocks" and the associated costs. (5 marks)
- b) Equator manufacturing assembles security monitors. It purchases 3600 Black and White ray tubes at Kshs 65 each. Ordering costs are Kshs 31 and annual carrying costs are 20% of the purchase price.
Required:
Compute the total annual costs of ordering and carrying the inventory. (10 marks)

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