



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**THIRD YEAR FIRST SEMESTER EXAMINATIONS FOR THE  
DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH  
INFORMATION TECHNOLOGY**

**CITY CAMPUS**

**ABA 342: PROCUREMENT RECORDS AND INVENTORY  
MANAGEMENT**

Date: 14<sup>th</sup> June, 2017

Time: 5.30 - 8.30 pm

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**INSTRUCTIONS:**

- Answer question ONE and any other THREE questions.
- Question ONE carries 25 marks and the rest 15 marks each.

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**QUESTION ONE (Compulsory)**

- a) Explain the essence of Inventory Control and Management [5 Marks]  
b) Give a graphical illustration of how inventory costs interact [8 Marks]  
c) Explain how stock-out costs impact on organizational performance [12 Marks]
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**QUESTION TWO**

- a) Explain the basic characteristic of the re-order level system of inventory control [5 Marks]  
b) The following data relate to a given stock item:

Normal usage – 1300 per day  
Minimum usage – 900 per day  
Maximum usage – 2000 per day  
Lead time -- 15-20 days  
EOQ – 30,000

**Required:** Compute:

- i). the re-order level [3 Marks]  
ii). the minimum stock level [3 Marks]  
iii). the maximum stock level [4 Marks]

**QUESTION THREE**

- a) Explain the strengths associated with the periodic review system of inventory control [6 Marks]  
b) A company uses 50,000 buttons per annum which are Sh. 10/- each to purchase. The ordering and handling costs are Sh. 150 per order and carrying costs are 15% of purchase price per annum.

**Required:** Determine the company's EOQ [9 Marks]

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**QUESTION FOUR**

- a) State the basic assumption of the EOQ model [6 Marks]  
b) Develop the basic EOQ model from first principles [9 Marks]

**QUESTION FIVE**

“A Just-In-Time system may be the best system for inventory control and management in organizations today”. Comment [15 Marks]