



*(University of Choice)*

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND  
TECHNOLOGY (MMUST)**

**MAIN/BUNGOMA/WEBUYE/BUSIA/MUMIAS/KAPSABET  
CAMPUS**

**UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**END OF SEMESTER MAIN EXAMINATIONS**

**FOR DIPLOMA IN BUSINESS ADMINISTRATION**

**COURSE CODE: DPS 102**

**COURSE TITLE: SUPPLY CHAIN MANAGEMENT**

**DATE: TUESDAY 14<sup>TH</sup> AUGUST 2016      TIME: 2.00-4.00PM**

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**INSTRUCTIONS TO CANDIDATES**

- 1. ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS**
- 2. DO NOT WRITE ANYTHING ON THE QUESTION PAPER**

**TIME: 2 HOURS**

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.



## **Instructions**

**Answer question one and any other two.**

The larger a company's supply chain, the more vulnerable the company becomes. When the company's suppliers spread further and further away from the company, the company becomes even more vulnerable to political and currency risk, cyber attacks, missed inventory goals, and failed communication with the supply chain. For a company to overcome those potential vulnerabilities, a company must build safeguards into their operations. Those safeguards include a strong corporate backing in supply chain management, solid relationships with suppliers, more attention to forecasting, and a holistic approach to sustainability that's why supply chain management is becoming integral and essential part of every day business that entire fields of major. SCM, pioneered by Wal-Mart, has grown in the last few years to include not only the management of the physical aspects of SCM, but also the electronic components, such as the Internet and many SCM tools, for instance SAP. Inventory being held across the retail supply chain at any one time amounts to \$1 trillion, according to a report by Benchmarking Partners, based on U.S. Dept. of Commerce data. The Cambridge, Mass.-based consulting firm estimates 15 percent to 20 percent of those inventories could be eliminated through improved planning, forecasting and replenishment. This is a major motivation for firms everywhere to reduce costs by applying supply chain management tools.

- 1.(a) Explain why a company has to have an inventory management.(10 marks)
  - (b) Discuss the advantages of quality management system in a company.(10 marks)
  - (c) Explain the characteristics of demand forecasting that could make it suit in a company .(10 marks)
- 2.(a) Explain why an organization need to make specification and standard on a product or service it needs.(10 marks)
  - (b) Explain the effects of purchasing function in an organization.(10 marks)
- 3.(a) State and explain the dimensions of quality according to Garvin.(10 marks)
  - (b) Explain what a potential buyer has to ensure to have an effective negotiation process.(10 marks)
- 4.(a) Discuss the factors that have contributed to development of total quality management.(10 marks)
  - (b) Explain the situations under which supplier evaluation is necessary.(10 marks)

## **Answers**

### **1.(a) Roles of inventory management in an organization**

To meet anticipate consumer requirements

To protect the firm from against stock out

To take advantage of the order cycles

To hedge against price increases

To avoid tying cash

To protect organization against outdated stock

### **1.(b) Advantages of quality management system**

Ensures that all aspects of quality are controlled

Ensures constituent and efficient work practices

It indicates the best practices

It provides objectives evidence for determining and collecting the causes of poor quality

It increases customer confidence

It gives competitive advantages to an organization

### **1.(c) Characteristics of demand forecasting**

The forecasting are always wrong and should thus include both the expected value of the forecast and a measure of forecast error

Long term are usually less accurate than short term forecast

Aggregate forecast are usually more accurate than dis-aggregate forecast as they tend to have a smaller standard deviation of error relative to the mean

The further up the supply chain a company is the greater the distortion of information they receive

### **2.(a) Purpose of specifications and standards**

Indicates the fitness for purposes

Communicates the requirement of a user or a producer to the supplier

Compares what is actually supplied with the requirements in terms of purpose and performance stated in the specifications

Provides evidence in the event of a dispute of what the purchaser required and what the supplier agreed to supply

## **2.(b) Effects of purchasing function**

Profitability

Cost minimization

Management information

Efficiency

Competitive position

Training grounds

Management strategy

Inventory holding

## **3.(a) Dimensions of quality**

Performance

Reliability

Serviceability

Features

Durability

Aesthetics

Perceived quality

## **3.(b) Guidelines for effective negotiation strategy**

Identify specific outcomes and objectives of the negotiation

Undertake proper research of the supplier market

The potential buyer should identify issues whereby a disagreement is expected during the negotiation process thus be able to pre-determine solutions together

The potential buyer should prepare all supportive data at hand that will assist him attain successful negotiation

Cost analysis is very crucial in a negotiation process because both parties want to maximize on return

#### **4.(a) Factors that have contributed to development of TQM**

Global competition

Just in time and other similar strategies based on the philosophy of zero defects

Japanese quality procedures

Quality philosophies associated with international respected experts

#### **4.(b) Situations under which supplier evaluation is necessary**

Where the potential supplier do not hold any ISO certification award

When purchasing high risk items

When purchasing non standard items

When purchasing capital goods

Need of identifying the competences of the potential suppliers

When entering into just in time arrangement with potential supplier

When engaging in global sourcing with foreign supplier that you have not dealt with

When entering into E-procurement arrangement with long term strategic suppliers