



(University of Choice)

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

MAIN CAMPUS/BUNGOMA/WEBUYE

MAIN UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER EXAMINATION

**FOR THE DEGREE
OF
BACHELOR OF COMMERCE**

COURSE CODE: BCB 424

**COURSE TITLE: SUPPLY CHAIN PERFORMANCE &
MEASUREMENTS**

DATE: WEDNESDAY, 3RD AUGUST 2022 TIME: 2:00 – 4:00PM

INSTRUCTIONS TO CANDIDATES

*Answer question **ONE** and any other **TWO** questions*

TIME: 2 HOURS

MMUST observes ZERO tolerance to examination cheating ►

This Paper Consists of 4 Printed Pages. Please Turn Over.

Question One

- a) One of the most important factors that influence the way in which purchasing results are measured is how management looks upon the role and importance of purchasing function. In light of the above describe three major views that management may hold towards purchasing (12 mks).
- b) You cannot improve what you cannot measure. "Measuring purchasing performance is the first step for managers to improve any decision making process in an organization". Briefly describe the value of metrics and its abilities (6 marks).
- c) Purchasing research is a formalized means of obtaining information to be used in making purchasing decisions. Describe any four important research areas in procurement (6 mks).
- d) Purchasing is a function that is particularly vulnerable to fraud. Highlight six examples of supplies-related fraud (6 mks)

Question Two

- a) Robust performance measurement systems need to be designed to measure and encourage the key overall supply chain objectives of customer service and cost in a manner consistent with company's overall strategic direction.

Discuss three major benefits of measuring purchasing performance (6 mks).
- b) Using well articulated examples describe major problems encountered in measuring and evaluating purchasing performance (8 mks).
- c) Describe any three types of benchmarking (6 mks)

Question Three

- a) The metrics and measures in supply chain management are discussed in many context: using relevant examples discuss the metrics and measures for:-
 - i) Supply chain partnership (6 mks)
 - ii) Production level (4 mks)

- b) A company manufactures four products namely W, X, Y, Z using same plant and process. The following information is available for a particular production period.

Product	volume	Material cost per unit(\$)	Direct labour per unit	Machine time per unit	Labour cost per unit
W	700	4	1 hour	½ hour	4
X	5000	5	½ hour	¼ hour	4
Y	800	10	2 hours	1 hour	9
Z	6000	12	½ hour	2 hours	10

The production overheads recovered by the cost accounting system is given under:

Factory overheads applicable to machine-oriented activity	57,600
Set-up costs	7,500
Cost of ordering materials	2,000
Handling materials	5,700
Administration for spare parts	<u>13,600</u>
	<u>86,400</u>

These overhead costs are absorbed by products on a machine hour rate of \$6 per hour giving an overhead cost per product of:

$$W=\$3, X=\$1.5, Y=\$6, Z=\$12$$

However, investigation into production overhead activities for the period reveals the following totals:

Product	No. of set-ups	No. of material orders	No. of times material handled	No. of spare parts
W	2	1	4	3
X	5	3	12	4
Y	4	2	5	3
Z	9	4	9	5

Required

- i) Compute an overhead cost per product using Activity Based Costing, tracing overheads to production units by means of cost drivers (9 marks).
- ii) Comment briefly on the differences disclosed between overheads traced by the present system and traced by Activity Based Costing (1 marks)

Question Four

Supply chain is an important element in logistics development for all industries. It can improve efficiency and effectiveness of not only product transfer, but also information sharing between the complex hierarchies of all the tiers.

Discuss purchasing effectiveness supporting your argument with relevant examples (20 marks)

Question Five

- a) Procurement audit is a comprehensive, independent and periodic examination of a company's purchasing environment, objectives, strategies and tactics to identify problems and opportunities and facilitate the development of appropriate action plans.

Suggest the major areas that should be audited and the relevant typical items that should be examined (12 mks).

- b) Purchasing ethics is concerned with the moral principles and values which govern the procurement officers. Describe the social responsibilities of organization towards suppliers (8 mks)