

The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2018

EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

UNIT CODE: BCOM 2204

UNIT TITLE: PRINCIPLES OF PURCHASING SUPPLIES

DATE: DECEMBER, 2018

TIME:

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

A company makes bicycles. It produces 450 bicycles a month. It buys the tires for bicycles from a supplier at a cost of \$20 per tire. The company's inventory carrying cost is estimated to be 15% of cost and the ordering cost is \$50 per order

- (a) Calculate the EOQ
 - i. What are the number of orders per year
 - ii. Compute the average annual ordering cost
 - iii. Compute the average inventory
 - iv. What is the average annual carrying cost
 - v. Compute the total cost (10 marks)
- (b) Discuss the various ethical standards in purchasing (10 marks)
- (c) Explain the procurement process used by organizations (10 marks)

QUESTION TWO

- (a) Discuss FIVE negotiation style that can be used in the negotiation process (10 marks)
- (b) Explain FIVE objectives of negotiations in an organization (10 marks)

QUESTION THREE

- (a) Discuss FIVE methods used in disposal of stock/inventory (10 marks)
- (b) Describe the roles and objectives of the purchasing department (10 marks)

QUESTION FOUR

- (a) Explain the methods and systems of inventory control (10 marks)
- (b) With examples where applicable, discuss the classifications and types of inventory (10 marks)