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GARISSA UNIVERSITY

SCHOOL OF BUSINESS AND ECONOMICS

DIPLOMA IN BUSINESS MANAGEMENT

UNIT CODE: DBM009

UNIT TITLE: STORES AND MATERIAL MANAGEMENT

MAY –AUGUST 2021 SEMESTER EXAMINATION

DURATION 2HOURS

**QUESTION ONE**

1. Define the following terms:
2. Centralised store (2mrks )
3. Decentralised store (2mrks
4. Material management (2mrks )
5. State the objective of store keeping (4mrks)
6. Explain the advantages and disadvantages centralised store (10mrks)
7. Describe factors that to be considered when selecting location of the store (10 mark)

**QUESTION TWO**

1. The **xyz** Sports Purchases tennis balls at Kshs 20 per dozen from its suppliers. The xyz Sports will sell 34,300 dozens of tennis balls evenly throughout the year. The total cost to handle a purchase order is Ksh10. The insurance, property tax and rent for each dozen tennis balls in the average inventory are Kshs 0.40. The company wants a 5% return on average inventory investment.
2. Calculate the economic order quantity (EOQ). (4 marks )
3. Number of orders to be placed per year (2mrks )
4. Calculate the total annual inventory expenses to sell 34,300 dozens of tennis balls if orders are placed according to economic order quantity Calculated in part (i). (4 marks )
5. Describe the assumptions made when using EOQ as a stock control techniques (10marks)

QUESTION THREE

1. A company manufactures wooden chairs. To manufacture one chair the company needs 2 square feet of wood.

**Demand:**

* Maximum demand: 550 chairs per month
* Average demand: 510 chairs per month
* Minimum demand: 485 chairs per month

**Lead time of the supplies:**

* Maximum lead time: 2.5 months
* Average lead time: 2 months
* Minimum lead time: 1.75 months

**Stock levels:**

* Safety stock: 600 square feet of wood
* Re-order quantity: 496 square feet of wood
* Maximum stock level?

**Required:** Compute maximum stock level (8marks)

1. Discuss five advantages of maintaining minimum stock level in an organization (6mrks)
2. Explain five fundamental objectives of materials management in an organization (6mks)

**QUESTION FOUR**

1. Poor store records keeping results several disadvantages to the organization. Explain five benefits that accrue to an organization for maintaining effective stores records, (10 marks)
2. Decentralization is one of the approaches that an organization may use to organize its stores. Explain five advantages in this approach (10mrks)

QUESTION FIVE

1. Explain the following terms and give examples where necessary
2. Material control (2marks )
3. Buffer stock (2marks )
4. Re order level (2marks )
5. Holding cost (2marks )
6. Ordering cost (2marks )
7. Explain five objectives of material control in an organization (10mrks)