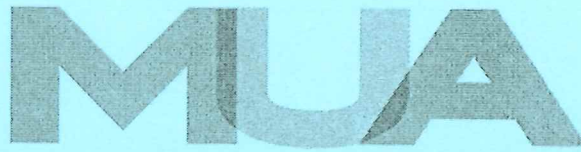


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

PSM 202: WAREHOUSING AND INVENTORY MANAGEMENT

DATE: 28TH JULY 2022

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

INVENTORY MANAGEMENT AT FLAME ELECTRICAL

Inventory management at Flame Electrical Inventory management in some operations is more than just a part of their responsibility; it is their very reason for being in business. Flame Electrical, South Africa's largest independent supplier and distributor of lamps, is such a business. It stocks over 2900 different types of lamp, which are sourced from 14 countries and distributed to customers throughout the country. 'In effect our customers are using us to manage their stocks of lighting sources for them,' says Jeff Schaffer, the Managing Director of Flame Electrical. 'They could, if they wanted to, hold their own stock but might not want to devote the time, space, money or effort to doing so. Using us they get the widest range of products to choose from, and an accurate, fast and dependable service.'

Central to the company's ability to provide the service its customers expect is its computerized stock management system. The system holds information on all of Flame's customers, the type of lamps they may order, the quality and brand of lamps they prefer, the price to be charged and the location of each item in the warehouse. When a customer phones in to order, the computer system immediately accesses all this information, which is confirmed to the customer. This leaves only the quantity of each lamp required by the customer to be keyed in. The system then generates an instruction to the warehouse to pick up and dispatch the order. This instruction includes the shelf location of each item. The system even calculates the location of each item in the warehouse which will minimize the movement of stock for warehouse staff. Orders for the replenishment of stocks in the warehouse are triggered by a re-order point system. The re-order point is set for each stocked item depending on the likely demand for the product during the order lead time (forecast from the equivalent period's orders the previous year), the order lead time for the item (which varies from

24 hours to four months) and the variability of the lead time (from previous experience). The size of the replenishment order depends on the lamp being ordered. Flame prefers most orders to be for a whole number of container loads (the shipping costs for part-container loads being more expensive). However, lower order quantities of small or expensive lamps may be used. The order quantity for each lamp is based on its demand, its value and the cost of transportation from the suppliers. However, all this can be overridden in an emergency. If a customer, such as a hospital, urgently needs a particular lamp which is not in stock, the company will even use a fast courier to fly the item in from overseas – all for the sake of maintaining its reputation for high service levels. ‘We have to get the balance right,’ says Jeff Schaffer. ‘Excellent service is the foundation of our success. But we could not survive if we did not control stocks tightly. After all we are carrying the cost of every lamp in our warehouse until the customer eventually pays for it. If stock levels were too high we just could not operate profitably. It is for that reason that we go as far as to pay incentives to the relevant staff based on how well they keep our working capital and stocks under control.’

Required:

- a. Discuss what seems to influence the stock replenishment policy of Flame Electrical. (8 Marks)
- b. Describe the inventory management process (6 Marks)
- c. Explain the importance of a ware house (6marks)
- d. Analyze five activities done in a warehouse (5marks)

QUESTION TWO

- a. Many organizations have increased automation of their warehousing operations. Discuss five challenges that such organizations may face in regard of automation of warehousing operations. (10 marks)
- b. Explain five procedures in a warehouse and examined its applicability in actual warehouse. (5 marks)

QUESTION THREE

- a. Discuss five ways in which packaging facilitates operations in a warehouse. (5marks)
- b. A consignment of materials delivered by a supplier has been rejected by the inspection team. As an expert in warehousing operations demonstrates five ways in which such a consignment may be handled. (10 marks)

QUESTION FOUR

- a. Analyse five reasons that may influence an organization to hire a warehouse instead of constructing one. (10 marks)
- b. Highlight the nature of preparations that a warehouse officer should make in readiness for materials issuing exercise (5 marks)

QUESTION FIVE

- a. Assess five measures that an organization may take to prevent accidents in its warehouses. (10 marks)
- b. The management of Chaka Company Limited is concerned about the increased costs related to warehousing operations. Propose five possible causes of such costs. (5 marks)

QUESTION SIX

- Discuss the different types of warehouses (15 marks)