

WOMEN'S UNIVERSITY IN AFRICA



Addressing gender disparity and fostering equity in University Education

FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES

**BACHELOR OF SCIENCE HONOURS DEGREE IN PURCHASING AND SUPPLY
CHAIN MANAGEMENT**

MAIN PAPER

PSM 211 : STORES AND DISTRIBUTION MANAGEMENT

INTAKE 11 : SECOND YEAR FIRST SEMESTER

TIME : 2 HOURS MORNING

INSTRUCTIONS TO CANDIDATES

Answer Question 1 and any other two.

Question 1

Inventory Build-up Can be a Sign of Hidden Problems

It has been noticed that inventory build-up in process and manufacturing industries is often a sign of hidden problems, which lie underneath and are not visible at the surface level. In other words one can say that to cover up inefficiencies in the internal systems, people build up inventories as safety stocks.

Stock build up can occur as a solution to cover up supplier inefficiencies. If the vendors are not reliable and the flow of raw materials cannot be ensured, there results a trend to hold buffer inventories in the form of raw materials or semi manufactured Work in Process inventories.

In other cases inventory build-up can happen due to bad quality. The inventory cost increase and resultant inventory storage cost can be attributed to cost of quality. If the production is not consistent with quality, the goods produced will get rejected leading to an increase in rejected inventory. Secondly, to make up for the loss due to quality rejection, one would have to increase production and hold finished goods inventory.

In other cases production delays can lead to build-up of inventories too. Production delays can be attributed to varied reasons such as bad design of the product, production layout inefficiencies, production stoppage due to breakdowns, Lengthy process times etc. Besides these causes, there could be many other problems related to people and management resulting in slackness on the shop floor, which can add to inventory holding at various stages.

Such inventory build-ups not only block the working capital and increase unnecessary cost of maintaining and storing the inventories, but also hide the problems which can cause serious threat to the business. Management should be watchful to identify any such inventory build-ups and investigate into the root cause and solve such problems.

An inventory build-up at the raw material side as well as the finished goods side gives cause for worry to the finance controllers. Any non-moving inventory is a cause for concern because it not only blocks up the funds of the organization but the incremental cost of holding the inventory keeps increasing over a period of time and affect the bottom line figures.

More importantly inventory over a period of time is susceptible to loss, theft, pilferage and shrinkage. It can also become obsolete and deteriorate over a period of time if not used within the shelf life.

Hence inventory levels are always on the radar of not only finance controllers, but of the top management as well.

Source: <https://www.managementstudyguide.com/when-to-avoid-holding-inventories.htm>
[accessed 28/11/2020](#)

Required

Refer to the passage above to answer question 1(a) and 1(b)

a) Explain the reasons for holding inventory by manufacturing companies. [25]

b) If not well planned, inventory can result in losses/costs for the company. Motivate. [15]

Question 2

Examine **five (5)** factors that are considered in distribution planning of materials/goods from sources of origin to the end consumer. [20]

Question 3

Explain how a Stores Manager can employ the ABC analysis to control the different categories of inventory in a warehouse. [20]

Question 4

Evaluate any **five (5)** warehouse Key Performance Indicators (KPIs) that organisations should consider. [20]

Question 5

‘Effective coding is a requirement for all materials/goods stored in a warehouse’. Motivate.

[20]

Question 6

Discuss any **five (5)** principles and protective measures that may be used by a Stores Manager.

[20]

END