



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	Johannesburg Business School
DEPARTMENT	Transport and Supply Chain Management
CAMPUS(ES)	APB
MODULE NAME	Purchasing 3B
MODULE CODE	BIC33B3/PUR03B3
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Supplementary Summative Opportunity 9 January 2020

ASSESSMENT DATE	9 January 2020	SESSION	11:30 – 14:30
ASSESSOR(S)	Dr C Chakamera		
MODERATOR(S)	Mr ME Moshidi		
DURATION	3 hours (180 min)	TOTAL MARKS	120

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	8
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INFORMATION/INSTRUCTIONS:

- This is a closed-book assessment.
- There are 5 questions. **Answer questions 1 & 2 (compulsory) in Section A plus 2 other questions in Section B. (In total you must answer 4 questions)**
- Answer each question on a different page.
- Read the questions carefully and answer only what is required.
- Number your answers clearly and correctly as per the question paper.
- Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.

SECTION A**[40 MARKS]**

QUESTION 1 (COMPULSORY)

[25 MARKS]

1. Which of the following can best describe the modern practice in the supply chain?
 - a. External integration
 - b. Functional independence
 - c. Internal integration
 - d. Functional integration
 - e. Departmental integration
2. Which of the supplier partnership critical factors is very difficult to overcome in practice?
 - a. Maintaining trust within a partnership
 - b. Establishing top management advocacy
 - c. Breaking social and attitudinal barriers
 - d. Selecting the right partners
 - e. Intense interaction
3. Which of the following does not describe a discrete orientation strategy?
 - a. Information is proprietary
 - b. Little communication
 - c. Individual risks and benefits
 - d. Easy to switch parties
 - e. Mutual problem solving
4. What are the two major factors of Asian production techniques?
 - a. Dual sourcing and single sourcing
 - b. Single sourcing and reduced supplier lot sizes
 - c. Reduced supplier lot sizes and dual sourcing
 - d. Large supplier base and JIT purchasing
 - e. Single sourcing and large supplier base
5. Which of the following is not an example of indirect cost?
 - a. Managerial salaries
 - b. Insurance payments
 - c. Depreciation expenses
 - d. Property taxes
 - e. Material costs

Use the following information to answer questions 6 and 7:

YT Construction Company has won a contract to build a laboratory at the University of Johannesburg (UJ). The total rand value of the contract is R100000. The total job cost equals R70000.

6. What is the gross margin of the ABC construction company?
 - a. 40%
 - b. 30%
 - c. 20%
 - d. 55%
 - e. None of the above
7. What is the markup of the company?
 - a. 40%
 - b. 30%
 - c. 60%
 - d. 43%
 - e. 35%
8. Which of the following differentiates hospital supply chain from traditional industrial supply chains?
 - a. Hospitals often have many buyers and many suppliers
 - b. Hospitals develop a closer relationship with their suppliers
 - c. Hospitals often have many buyers and few suppliers
 - d. Hospitals often have few buyers and many suppliers
 - e. Hospitals have few buyers and few suppliers
9. Regarding the safety stock in health care, there are four classifications of the stock tolerances of a hospital, categorised by Reisman as urgency requirements: Which of the following one is not one of the classifications?
 - a. Use-location urgency
 - b. Facility-location urgency
 - c. Zero-location urgency
 - d. Region-location urgency
 - e. No urgency
10. The reimbursement system in hospitals is no longer based solely on cost. Another reimbursement system was introduced in the mid-1980s which is based on:
 - a. Number of treated patients
 - b. Number of hospital employees
 - c. Specific diagnosis-related groups (DRG)
 - d. The reputation of the hospital
 - e. Size of the hospital
11. The two prominently noted “hidden costs” with outsourcing are:
 - a. Exchange rate costs and transportation costs
 - b. Material costs and labour costs
 - c. Transportation costs and labour costs
 - d. Transportation costs and custom duties
 - e. Control costs and coordination costs
12. Scope of work (SOW) is

- a. An agreement between the project owner and the contractor.
 - b. A plan that shows the work to be done and the duration of the project
 - c. A schedule that shows the sequence of activities within a project
 - d. A proposed document that shows how a project should be done
 - e. None of the above
13. Which of the following is the right formula for labour productivity?
- a. Labour productivity = Percentage complete divided by Percentage of budget labour hours
 - b. Labour productivity = Percentage of budget labour hours divided by Percentage complete
 - c. Labour productivity = Total number of employees divided by Total amount of output
 - d. Labour productivity = Total salary divided by Total number of employees
 - e. None of the above
14. _____ are useful tools when a project is underway.
- a. Critical Path Method
 - b. Gant charts
 - c. Bar Charts
 - d. Progress curves
 - e. None of the above
15. What is the meaning of slack time for an activity?
- I. Is the time between its earliest and latest start time
 - II. Is the time between its earliest and latest finish time
 - III. Is the time between its earliest start and latest finish time
 - IV. Is the amount of time that an activity can be delayed past its earliest start or earliest finish without delaying the project
- a. I, II, and III
 - b. I, II and IV
 - c. II, III and IV
 - d. III
 - e. None of the above
16. Which of the following costs are not common to both domestic and offshore sourcing?
- a. Lead time costs
 - b. Direct material costs
 - c. Transportation costs
 - d. Currency exchange costs
 - e. Inventory costs
17. What best describes a varying-sum schedule bargaining situation?
- a. A bargainer realise a gain (or loss) in direct proportion to what happens to the other bargainer
 - b. The profits (and/or losses) of the respective bargainers, when added together, need not always equal the same fixed amount
 - c. The profits (and/or losses) of the respective bargainers always sum to the same fixed amount
 - d. It is usually found in retail situations where the merchant's costs are relatively fixed.
 - e. All of the above
18. The _____ has been most fully explored by psychologists

- a. Integrative bargaining situation
 - b. Distributive bargaining situation
 - c. Pareto optimal situation
 - d. Multiple bargaining interaction
 - e. Richer model
19. The findings by psychologists can be categorised under six areas, each representing a major factor assumed to affect bargaining. Which of the following is one of the six factors?
- a. Language
 - b. Number of deals
 - c. Distance between seller and buyer
 - d. Utilities of the bargainers
 - e. General bargaining predispositions
20. In the bargaining interaction, the most important planning activity for a seller is to submit the most responsive
- a. Request for payment structure
 - b. Request for business plan
 - c. Request for proposal (RFP)
 - d. Request for buyer's deadlines
 - e. Request for the status of the buyer
21. When analysing economic bargaining using the Pareto Optimal approach, which of the following is true about a negotiation set?
- a. Pareto optimal set is a subset of the negotiation set
 - b. Some of the points within a negotiation set show losses
 - c. Every point within a negotiation set shows an equal distribution of gains by the two parties
 - d. Negotiation set is a subset of the Pareto optimal set
 - e. All points within a negotiation set imply a zero-sum schedule
22. Among the service characteristics of transportation, flexibility for air transport is
- a. Moderate
 - b. High
 - c. Low
 - d. Moderate to high
 - e. Low to moderate
23. Among the economic characteristics of transportation, the predominant traffic for the pipeline transportation mode is
- a. High value, low to moderate density
 - b. Low value, low to moderate density
 - c. Low to moderate value, moderate to high density
 - d. Low value, high density
 - e. All types
24. Among the service characteristics of transportation, loss and damage for water transport is

- a. Low to moderate
- b. Moderate to high
- c. Moderate
- d. High
- e. Low

25. Among the freight terms, *Prepaid* means that

- a. The consignee owns the freight
- b. The shipper owns the freight
- c. The shipper advances the charges to the carrier
- d. Neither the consignor nor the consignee owns the payment process function
- e. None of the above

READ THE CASE STUDY BELOW AND COMPLETE QUESTION 2.

PACIFIC HEALTHCARE:

Pacific Healthcare is the largest health care provider in Santa Barbara County. The institution consists of three hospitals: Pacific Memorial (415 beds), Pacific Cabrillo (250 beds), and Pacific Isla Vista (300 beds); also included are two nursing homes and ten outpatient clinics. All combined, Pacific Healthcare has over 1,500 beds.

Barney Rubble, corporate director of supply management for Pacific, is in charge of procuring supplies for all Pacific Healthcare subsidiaries.

Mr. Thurston Howell, director of radiology, had been in charge of supplier selection of X-ray film at Pacific for the past fifteen years. In the past, Mr. Howell refused to authorize the use of any X-ray film other than Kodak.

Recently, Mr. Howell passed away, leaving Barney Rubble the opportunity to change the policy on selecting the supplier of the film. After a detailed investigation, Mr. Rubble had reason to believe that the current Kodak price was above that of possible competition.

The existing agreement with Kodak calls for furnishing X-ray equipment, along with maintenance and service, at a substantial discount for using Kodak as the single supplier of the X-ray film. Kodak refused to provide these services if it were not the only source used for X-ray film.

X-ray film comes in different types and sizes for various uses. The three types of film used at Pacific hospitals are general X-ray film, film for mammograms, and film for CAT scans. Pacific uses approximately 1,500 sheets of X-ray film per day.

Kodak film has been the industry standard in the past. There are also four other companies that manufacture X-ray film: Dupont, Agfa, Fuji, and 3M. The quality of Dupont and Agfa is consistent with Kodak. Fuji and 3M film is thought to be of lower quality; however, this film meets minimum spec requirements. The prices of each brand are listed in Appendix A.

APPENDIX A

Manufacturer X ray film, price per sheet

Kodak	\$1.80
Agfa	\$1.58
Dupont	\$1.50
Fuji	\$1.40
3M	\$1.35

Obtaining the highest quality with the best service at the lowest overall cost is Pacific Healthcare's supply strategy for medical supplies. Pacific's objective is to find a single-source supplier for a one-year contract.

QUESTION 2 (COMPULSORY)**[15 MARKS]**

- 2.1. What alternatives should Barney Rubble consider to address the problem? (4)
- 2.2. What are the advantages and disadvantages of staying with Kodak - or changing suppliers? (6)
- 2.3. Should Pacific's supply policies allow for any medical staff personnel to control sourcing decisions? (3)
- 2.4. What action could Mr Rubble have taken before Mr Howell's death to obtain reduced film prices? (2)

SECTION B (ANSWER ANY TWO OF THE FOLLOWING THREE QUESTIONS)**QUESTION 3****[40 MARKS]**

- 3.1 Demonstrate how fluctuations in the rand exchange rate can affect the final cost of goods sourced from offshore markets. (4)
- 3.2 Distinguish between administrative costs, foreign costs and common costs that are associated with global sourcing. (6)
- 3.3 List nine popular forms of countertrade arrangements. (9)
- 3.4 Identify and discuss the three tiers of partnerships. (6)
- 3.5 What are the benefits of supplier partnerships (6)
- 3.6 Discuss the three most utilised pricing methods. (9)

QUESTION 4**[40 MARKS]**

- 4.1 Distinguish between the Fixed Order Quantity System and Stockless Inventory System (8)
- 4.2 Briefly discuss the capital equipment acquisition process in a hospital. (5)
- 4.3 Explain the qualitative factors that are of utmost importance in identifying capital expenditure projects in health care. (8)

- 4.4 List the steps in critical path method (CPM) planning. (6)
- 4.5 Illustrate and discuss the critical path method (CPM). (9)
- 4.6 The first step in the sourcing of a bridge design professional services contract for the government owner is a request for a letter of interest from prequalified bidders. Specify some of the contents of this letter (4)

QUESTION 5

[40 MARKS]

- 5.1 Use a diagram to discuss the Distributive Bargaining Model. N/B Clearly show and discuss both the buyer and seller's reservation prices and their surpluses. (12)
- 5.2 The procedure for a formal negotiation involves eight (8) steps. List these steps (8)
- 5.3 Discuss the factors that influence the buyer's bargaining strength (8)
- 5.4 In terms of the factors considered in rating freight, numerous factors are included in rate determination for a particular commodity. Identify eight (12) of these factors. (12)

The End!