



JARAMOGI OGINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR DEGREE OF MASTER OF BUSINESS
ADMINISTRATION
2nd YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR
MAIN CAMPUS EVENING

COURSE CODE: MBA 847

COURSE TITLE: INVENTORY MANAGEMENT

EXAM VENUE:

STREAM (MBA)

DATE:

EXAM SESSION:

TIME: 3 HOURS

Instructions:

- 1. Answer ANY four questions.**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

QUESTION ONE

- (a) As an expert in inventory management, Describe how you will go about identifying any weaknesses in inventory management in your organization. (8 marks)
- (b) Inventory holding is both “a blessing and a curse”, Discuss this statement using appropriate examples. (7 marks)

QUESTION TWO

Discuss the following terms as used in inventory control;

- i. Periodic review system (5 marks)
- ii. Re-order system (5 marks)
- iii. Hybrid system (5 marks)

QUESTION THREE

- (a) Define the term demand forecasting. (3 marks)
- (b) Discuss the approaches that can be used in qualitative demand forecasting (12 marks)

QUESTION FOUR

A particular item has a demand of 9,000 units per year. The cost of procurement is Kshs. 100 and the holding cost per unit is Kshs. 2.40 per year. The replacement is instantaneous and no shortages are allowed. Determine

- i. The Economic Order Quantity (4 marks)
- ii. The number of orders per year (4 marks)
- iii. The time between orders (3 marks)
- iv. The total cost per year if the cost of one item is kshs. 1. (4 marks)

QUESTION FIVE

- (a) Discuss the benefits of holding inventory to an organization. (7 marks)
- (b) Discuss any **FOUR** assumptions of the Economic Order quantity model of inventory management. (8 marks)

QUESTION SIX

- (a) Describe any **FOUR** costs of holding stocks. (6 marks)
- (b) A manufacturing company has an expected usage of 50,000 units of certain product during the next year. The cost of processing an order is Shs20 and the carrying cost per unit is Shs 0.50 for one year. Lead-time on an order is five days and the company will keep a re-service supply of two days usage.
Required: Calculate

(i) The Economic Order Quantity

(5 marks)

(ii) The re-order point (Assume 250 – day year).

(4 marks)