

**International Certificates & Diploma**  
in  
**Purchasing & Supply Chain Management**  
based on ITC's Modular Learning System

**SAMPLE EXAMINATION PAPER**

(27 January 2004)

**DURATION: 120 minutes**  
**TOTAL MARKS: 200**

**INSTRUCTIONS**

1. This examination paper is made up of three sections: A, B and C.
2. A special Answer Sheet is provided at the end of this paper for answering the questions in Sections A and B. The essay question in Section C must be answered directly on this paper.
3. This examination paper consists of ..... pages, including the Answer Sheet. Please ensure that your paper is complete.
4. Before you start, please enter your Candidate Registration Number (CRN) at the top of each of the three sections of this examination paper and on your Answer Sheet (i.e. a total of four times).
5. Do not write your name anywhere on this paper nor on the Answer Sheet.

Candidate Registration Number (CRN):

## Section A

Total: 60 marks

This section has a total of 25 questions. The first fifteen questions are worth 2 marks each, and the last ten questions are worth 3 marks each.

Answer the questions in this Section on the Answer Sheet attached to this paper.

Read each question carefully, because some questions have only one correct answer while other questions may have more than one correct answer. In the case of questions with multiple correct answers, you will lose marks if you enter an answer which does not apply. However, the minimum mark for any question will be zero, and will never be negative.

**Subsection A.1 (30 marks)** – *The questions in this subsection are worth 2 marks each.*

*(There are a total of 15 questions in this subsection. Different types of questions may be asked. One example of each possible type of question is shown below.)*

***EXAMPLE OF A MULTIPLE-CHOICE QUESTION WITH ONLY ONE CORRECT ANSWER:***

1. Which one of the following characterises the leverage quadrant in supply positioning?
  - A Low levels of impact / opportunity / risk combined with high levels of expenditure
  - B High supply risks and low annual expenditure
  - C Low levels of impact / opportunity / risk and low levels of expenditure
  - D Significant levels of risk and high levels of expenditure

***EXAMPLE OF A MULTIPLE-CHOICE QUESTION WITH THE POSSIBILITY OF MORE THAN ONE CORRECT ANSWER:***

**2. Which of the following statements are correct?**

Supply strategy involves having a clear idea about issues such as:

- A How many supply markets to buy from
- B How many suppliers to buy from
- C How to design tactical purchasing strategies
- D Types of contract to support supplier relations

***EXAMPLE OF A QUESTION WITH A NUMERIC ANSWER:***

**3. Calculate the EOQ if a company purchases material for its production line at \$650 per MT. Its yearly requirement is 288 MT. Inventory carrying costs are calculated at 25% of the average value of inventory, and the cost of placing each order is \$50.**

***EXAMPLE OF A RANKING QUESTION:***

**4. Place the following stages in the VA/VE structured approach in the correct order:**

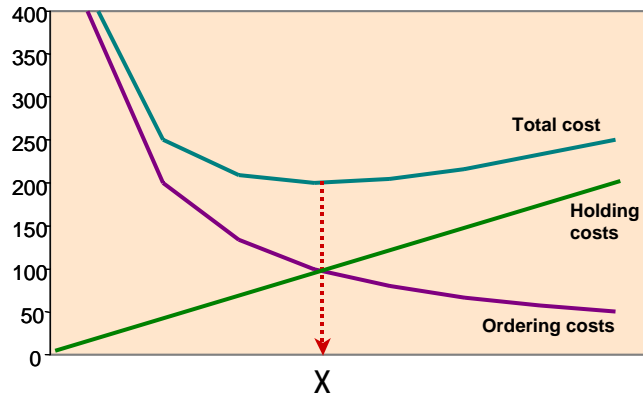
- A Development
- B Function analysis
- C Implementation
- D Speculation
- E Evaluation
- F Information
- G Preparation

***EXAMPLE OF A TRUE / FALSE (OR YES / NO) QUESTION:***

**5. A particular effort to use standards in purchase specifications generally occurs when the items being bought involve a low expenditure and / or if there is no need for product differentiation.**

**EXAMPLE OF A QUESTION WITH A ONE-WORD ANSWER:**

6. What does point “X” in the figure below represent? (Please use the corresponding acronym only)



**EXAMPLE OF A LIKERT SCALE QUESTION:**

7. Supermarkets using computerised bar-coding systems employ the *International Item Code...*
- A Always
  - B Most times
  - C Sometimes
  - D Never

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**Subsection A.2 (30 marks) – *The questions in this subsection are worth 3 marks each.***

*(There are a total of ten questions in this subsection. As in the previous subsection, different types of questions may be asked. The types of questions are the same as those described under A.1. However, as these questions are worth more marks, they are somewhat more difficult.)*

**Candidate Registration Number (CRN):**

## **Section B**

**Total: 90 marks**

**This section has a total of four questions, all of which have sub-questions. The first two questions are worth 15 marks each, and the last two are worth 30 marks each.**

**Each of the four questions is made up of a series of sub-questions. The answers to these must be given on the Answer Sheet attached to this paper.**

**Read each question carefully, because some sub-questions have only one correct answer while others may have more than one correct answer. In the case of those with multiple answers, you will lose marks if you enter an answer which does not apply. However, the minimum mark for any sub-question will be zero, and will never be negative.**

**Subsection B.1 (30 marks) – *The questions in this subsection are worth 15 marks each.***

*(There are a total of two 15-mark questions in this sub-section. Each question is made up of sub-questions, similar to the question types shown in Section A. One example of these questions is shown below.)*

***EXAMPLE OF A QUESTION MADE UP OF SUB-QUESTIONS, EACH ONE HAVING THE POSSIBILITY OF MORE THAN ONE CORRECT ANSWER:***

**Question B.1-1**

**Consider the following types of supplier relationship:**

<b>A</b>	<b>Spot purchases</b>
<b>B</b>	<b>Regular trading</b>
<b>C</b>	<b>Call-off contracts</b>
<b>D</b>	<b>Fixed contracts</b>
<b>E</b>	<b>Partnerships</b>
<b>F</b>	<b>Joint ventures</b>
<b>G</b>	<b>Internal provision</b>

**Which of the above type(s) of relationships apply in the following cases?**

1. When it is difficult to predict requirements in advance
2. When the price of the product or service can be easily determined
3. When there is a frequent need for the product or service
4. When each requirement has somewhat different specifications
5. When there are many suppliers available

**Subsection B.2 (60 marks)** – *The questions in this subsection are worth 30 marks each.*

*(There are a total of two 30-mark questions in this subsection. Each question is made up of sub-questions, similar to the question types shown in Section A. One example of these questions is shown below.)*

**EXAMPLE OF A QUESTION MADE UP OF VARIOUS TYPES OF SUB-QUESTIONS:**

**Question B.2-1**

**Your company is reviewing its approaches to supply strategy, and after a careful analysis has been able to categorise its purchase items into the four quadrants of the Supply Positioning Model. For three out of these four categories, answer the questions given in the tables below:**

**1. Bottleneck items**

1.1 These involve high levels of: A. Impact B. Supply opportunity C. Item diversity D. Expenditure E. Supply risk
1.2 Items purchased are generally standard
1.3 The number of suppliers should generally be A. Many B. Few C. One
1.4 Effective operational strategies to follow generally include: A. Holding stock B. Use of e-commerce C. Establishing a customer account manager D. Consolidated billing E. Developing suppliers F. Use of purchasing cards G. Demand forecasting
1.5 Purchase decisions are generally made on the basis of total cost of ownership
1.6 Value analysis is important
1.7 Price variations are important
1.8 Switching costs are very relevant

## 2. Leverage items

2.1 These involve high levels of: A. Impact B. Supply opportunity C. Item diversity D. Expenditure E. Supply risk
2.2 Items purchased are generally standard
2.3 The number of suppliers should generally be A. Many B. Few C. One
2.4 Effective operational strategies to follow generally include: A. Holding stock B. Use of e-commerce C. Establishing a customer account manager D. Consolidated billing E. Developing suppliers F. Use of purchasing cards G. Demand forecasting
2.5 Purchase decisions are generally made on the basis of total cost of ownership
2.6 Value analysis is important
2.7 Price variations are important
2.8 Switching costs are very relevant

## 3. Critical items

3.1 These involve high levels of: A. Impact B. Supply opportunity C. Item diversity D. Expenditure E. Supply risk
3.2 Items purchased are generally standard



3.3 The number of suppliers should generally be A. Many B. Few C. One
3.4 Effective operational strategies to follow generally include: A. Holding stock B. Use of e-commerce C. Establishing a customer account manager D. Consolidated billing E. Developing suppliers F. Use of purchasing cards G. Demand forecasting
3.5 Purchase decisions are generally made on the basis of total cost of ownership
3.6 Value analysis is important
3.7 Price variations are important
3.8 Switching costs are very relevant

**Candidate Registration Number (CRN):**

## **Section C**

**Total: 50 marks**

**This section has one question worth 50 marks. The answers to this question must be given in the space provided in this paper. If additional space is needed, please use blank paper and staple these pages together with the page where you started writing your answer.**

**Read the question carefully before answering.**

**You are the recently hired manager of the Supply Department of a firm specialising in the equipping and maintenance of luxury hotels in your country, which has a highly developed tourism industry.**

**Over the last couple of years, your company has been steadily losing business to other competitors, including some which have been recently established. Your company's Marketing Department has concluded that the main reasons for losing business are the firm's high costs, its limited range of product offer, and its inability to respond rapidly to customer requirements.**

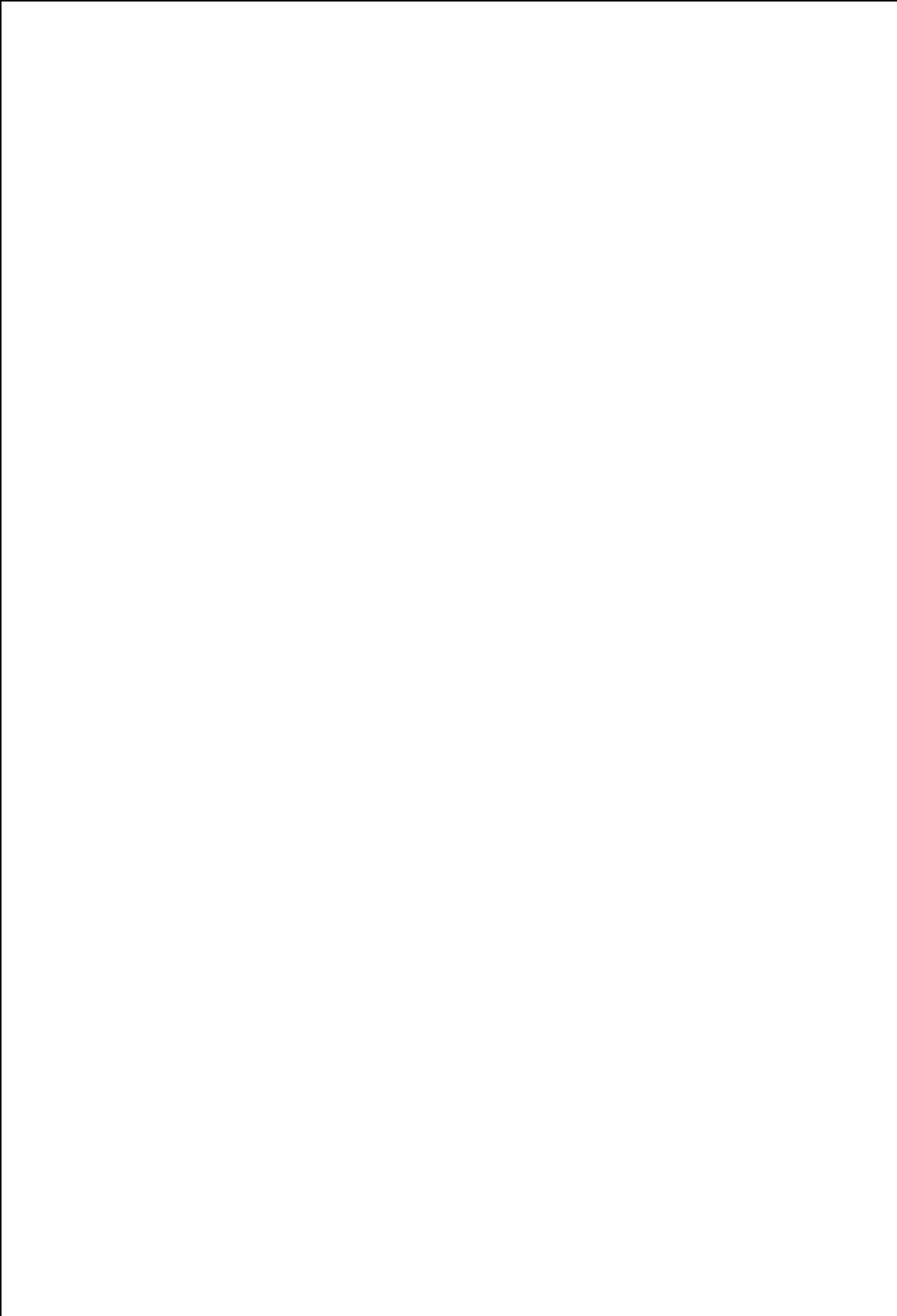
**Many of the problems have been blamed on the company's poor purchasing & supply operations, which were previously being handled by the Services Department. This caused the company's CEO to set up the Supply Department and hire you to run it.**

**In addition, the working relationships affecting supply operations amongst the company's existing three departments (prior to the establishment of the Supply Department), i.e. Marketing, Services and Administration, have been working very poorly.**

**Your CEO has asked you to develop an action plan to redress the situation, focusing on each of the areas specified below, and to present this action plan at a meeting at which she has invited the other Directors. She has asked you to make your proposals as specific as necessary, so that a go-ahead decision on the action plan can be reached at the meeting.**

**Write down your proposals on the following pages.**

1. How to identify the main problems in your company's supply operations:



2. How to determine the most effective supply strategies to be adopted by the company:

3. How to establish effective working relationships with the Marketing, Services and Administration Departments:

A large, empty rectangular box with a thin black border, intended for the user to provide their answer to the question above. The box occupies most of the page's vertical space.