



Strathmore
UNIVERSITY

**STRATHMORE INSTITUTE
DIPLOMA IN ENTREPRENEURSHIP
END OF SEMESTER EXAMINATION
DE 1303: BUYING AND STOCK CONTROL**

DATE: 29th August 2022

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

QUESTION ONE

a) Fill the correct words in the blanks. (NB: Each part carries equal marks).

- i. When a supplier delivers what you have ordered on credit, he or she gives you a.....which lists the quantity and type of goods. You get this document before you get the invoice.
- ii. The goods your business sells and all the raw materials or parts you use to make goods, are all part of the..... in your business
- iii. Stock control is the way to organize (1) recording stock; (2) storing stock; (3) arranging stock; (4) and (5) reordering stock.
- iv. Good stock control will help you toat the right time.
- v. Stock records mean writing down stock thatof a business.
- vi. Working out the....., helps you to keep the right quantity of a product or material.
- vii. To keep records of all stock, you need to write down the information on.....
- viii. By comparing the balance on your with the quantities you counted and wrote on youryou can find out if any stock is missing.
- ix. When you doyou get a chance to check the condition of your goods or materials.

Each question carries ½ marks (5 Marks)

- b) Muli is in the business and has a general store in Madaraka Estate. He thinks stock control is not important for his business. “I simply watch my shelves and order more when something is finished. The nails are all mixed together. I cannot find any in the size I need. This bread is old and hard. Let us go to another shop. I did have the lamp you want, but I cannot find it now. Put this in your pocket. He will never notice. Most of these cups are broken. There are lots of red pens, but no blue ones that I need for school. It is the beginning of the school term, but all the exercise books are sold out”.

Required:

- i. Identify **THREE** stock control problems at Muli General Store? **3 marks**
 - ii. What can Muli do to solve each of the stock control problems you have identified in (i) above **3 marks**
- c) Outline **FIVE** differences between buying goods and buying services **5 marks**
- d) Explain any **FOUR** of the ‘5 rights of buying’ including how each might be achieved **8 marks**
- e) Explain **FOUR** circumstances in which a competitive tendering exercise might not be the best approach for making a purchase. **6 marks**
- [Total: 30 Marks]**

QUESTION TWO

- a) What your business needs is based on what your customer need. Make sure you know as much as possible about your customers. When you know what your customers want, you can make better decisions about your business.

Required:

Describe any **SIX** questions that you must ask yourself before making a decision on what your business needs. **9 marks**

- b) Getting information about different suppliers helps your business to find out which suppliers sell the goods, materials, services or equipment you need. Information gathering is important if the potential supplier does not have a relationship with your business. It also helps you to identify other suppliers that you may not have known about.

Required:

Explain any **SIX** ways of getting information about potential suppliers **6 marks**
[Total: 15 Marks]

QUESTION THREE

a) What a business buys has an obvious impact on what the business sells to its customers.

Required: Give **FIVE** reasons why this statement might be true **5 marks**

b) Stock taking is a system of physically counting and examining the stock and then comparing the list with the Stock Card.

Required:

- i. Explain **FOUR** reasons why stock taking is important for your business **4 marks**
- ii. Describe **SIX** steps to follow for stock taking process **6 marks**

[Total: 15 Marks]

QUESTION FOUR

To ensure the smooth function of business operations, you should manage relationships with suppliers effectively. For small businesses, it is not good to have too many suppliers.

Required:

- i. State **FIVE** ways of creating a good relationship with suppliers **5 marks**
- ii. Discuss **FIVE** benefits of having a good relationship with suppliers for your business **5 marks**
- iii. Describe **FIVE** ways of solving conflicts with suppliers **5 marks**

[Total: 15 Marks]

QUESTION FIVE

There are several methods for controlling stock, all designed to provide an efficient system for deciding what, when and how much to order. You may opt for one method or a mixture of two or more if you have various types of stock.

Required:

- i. Explain **FIVE** methods of controlling inventory **5 marks**
- i. Describe **FOUR** functions of the stock controller **6 marks**
- ii. If you should decide to install a system of perpetual inventory and continuous inventory control, what advantages would you expect the business to receive? **4 marks**

[Total: 15 Marks]