



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

DATE: 14TH December 2020

Time: 2 Hours

Instructions

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

QUESTION ONE

PART A: Practical Questions

Given the following words select and fill the correct words in the blanks. (**NB: Each part carries equal marks**).

Receipt, Finished goods, Written enquiry, Equipment, Delivery note, Spare parts, Quotation, Invoice Order, Raw materials, Stock taking, Stock Taking List, Stock, Checking stock, Reorder levels, Stock Cards, Reorder stock, Stock Card, Penalties, Records, Performance criteria, Comes in and goes out.

1. Wholesalers and retailers mostly sellmade by manufacturers or supplied by other companies.
2. Before a business buys, it should find out if service and spare parts are available locally.
3. When you need to repair something, spend your money wisely. Make sure you buy the right Remember, the cheapest items are not always the best.
4. The quality of thewhich go into your products is important. They must be good enough. But if they are too expensive, your prices will be too high. Then, your customers may not be able to afford your products.
5. Before you choose a supplier, you first need to know what each supplier can offer. So, it is a good idea to ask several suppliers for
6. A is a document to prove that you have paid.
7. An tells you to pay. Always compare it with your delivery note to make sure you received everything you ordered.
8. Follow up yourto make sure that the goods are delivered on time.

9. To find out what suppliers can offer you, you can visit the suppliers, phone them or send them a.....
10. 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.
11. 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
12. Stock control is the way to organize (1) recording stock; (2) storing stock; (3) arranging stock; (4) and (5) reordering stock.
13. Good stock control will help you toat the right time.
14. Stock records mean writing down stock thatof a business.
15. Working out the....., helps you to keep the right quantity of a product or material.
16. To keep records of all stock, you need to write down the information on.....
17. By comparing the balance on your with the quantities you counted and wrote on youryou can find out if any stock is missing.
18. When you doyou get a chance to check the condition of your goods or materials.
19. For each supplier, you should maintainof how they deliver goods or services to you. Based on the records, you can evaluate the performance of the suppliers.
20. You can evaluate your suppliers and then rate them based on
For each type of good or service you buy, one or two criteria might be the most important.

Each question carries ½ mark (10 Marks)

PART B: Circle the correct answer for each sentence (NB: Each part carries equal marks).

1. When you buy machines and other equipment you must...
 - a. Sell the machines you already have.
 - b. Buy the same machines your competitors have.
 - c. Find out if service and spare parts are available locally.
2. You want to buy new types of goods to sell in your store. Before you decide what goods to buy, the first thing to do is to find out...
 - a. What goods your customers want.
 - b. What goods suppliers can offer you.
 - c. How much it costs to make your storage area larger.

3. When you select a service provider or someone to do outsourcing, the most important information you should have is...
 - a. Their customers.
 - b. Their size and production capacity.
 - c. Their skills and experience.

4. Buying well can help your business...
 - a. Reduce costs.
 - b. Keep costs unchanged.
 - c. Sell at a higher price than other businesses.

5. A written order is better than a spoken order because...
 - a. It is a neater way to order.
 - b. It is a quicker way to order.
 - c. It is proof that you made an order.

6. Check the goods against the delivery note or the invoice...
 - a. When you count your stock at the end of the week or at the end of the month.
 - b. Immediately when you get the goods.
 - c. When you make your order.

7. Your supplier delivers coffee. It is listed on the invoice, but you cannot remember if you asked for it. To find out, check the...
 - a. Order.
 - b. Quotation.
 - c. Receipt.

8. If a supplier sends you damaged goods, you must immediately...
 - a. Give the supplier a bad reputation.
 - b. Complain and then agree with the supplier on the best way to solve the problem.
 - c. Lower the price to your customers and advertise the goods.

9. COD means that you must pay...
 - a. By cheque.
 - b. When the goods are handed over to you.
 - c. Within 30 days.

10. Stock control is important....
 - a. Only for retailers.
 - b. Only for manufacturers.
 - c. For all businesses.

11. It is bad for your business to over-stock. This may cause ...
 - a. Your suppliers to complain that the payments are not made on time.
 - b. Some stock to expire or become obsolete before being sold.
 - c. Your money to be tied up in the stock, while borrowed money accrues interest charges.

12. A good way for store owners to improve their stock control is to ...
- Always have goods in large quantities.
 - Always keep their stock well arranged.
 - Make sure that they have enough of many different types of goods so they never have to say no to a customer.
13. Stock control helps your business to ...
- Sell less goods on credit.
 - Get discounts for advertising.
 - Avoid running out of stock.
14. If you suspect that you are losing stock, your stock records will tell you ...
- Who is stealing.
 - How much stock is missing.
 - How to solve the problem.
15. A customer complains because the shirt you sold him had stains. You give him a new shirt. This means that the balance on your Stock Card will ...
- Be higher than before.
 - Be lower than before.
 - Remain the same.
16. Your sales of lemon biscuits have increased, so you must ...
- Increase your reorder level.
 - Decrease your reorder level.
 - Keep your reorder level exactly the same.
17. Your reorder level for 2kgs sugar is 20 bags. This means that ...
- You need 20 bags of sugar in each order from your supplier.
 - You need to order more sugar when your stock of sugar falls to 20 bags.
 - Your supplier will not sell less than 20 bags of sugar at a time.
18. If you often run out of stock, a good way to solve the problem is to ...
- Work out more accurate reorder levels.
 - Buy extra stock every day from a nearby wholesaler.
 - Always keep extra stock of all your goods.
19. The best way to find out if stock is missing is to ...
- Count the stock and compare the quantities with the balances on your Stock Cards.
 - Count the stock and compare the quantities with the quantities on your suppliers' invoices.
 - Compare the balances on your Stock Cards with the copies of your receipts from sales.
20. Stock taking does not tell you:
- If any stock is missing.
 - How much stock is missing.
 - The reason that stock is missing.

Each question carries ½ mark (10 Marks)

PART C

To be effective, buying for your business should follow a systematic step-by-step process. These are called buying rules and procedures. Describe eight recommended steps that your business has to follow when buying goods, raw materials, equipment or other things that your business needs.

(10 Marks)

Total: 30 Marks

QUESTION TWO

The following information relates to three businesses Lydia who is tailor, Daily bread who prepares sweet cakes and Farmnure that supplies fertilizer to its customers.

Lydia:

Tailor: “This thin silky material is very popular”. Supplier: “Your customers will like it”. Tailor: Well, if you think so. Supplier: But is it not too expensive? Tailor: No, it is a very good price. And a lot of tailors are buying it. So I bought 50 metres of the thin silky material. But it is not selling. After one year I still have 40 meters left.

Daily Bread

I have only one bag of flour left. I will have to go to town again to buy some more. It is the third time this week.

Farmnure Farm:

I bought so much compound E fertilizer. What I need now is compound D. But all my money is tied up in the fertilizer that I cannot use or sell until next year. I wish I had planned my purchases better!

Required

- i.** Give **THREE** reasons why Lydia bought so much of thin silky material? **(3 Marks)**
- ii.** What is the problem with the way Lydia does its buying? **(1 Marks)**
- iii.** With **THREE** reasons, advice Lydia to improve its buying? **(3 Marks)**
- iv.** What did Daily Bread do wrong? **(1 Marks)**
- v.** Suggest what may happen to Daily Bread if it does not improve its buying? **(2 Marks)**
- vi.** What did Farmnure Farm do wrong? **(2 Marks)**
- vii.** What may happen to Farmnure Farm if it does not improve its buying? **(3 Marks)**

Total: 15 Marks

QUESTION THREE

a) Joncil has a general store business 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 **SIX** stock control problems at Joncil General Store? **(3 Marks)**
- ii.** What can Joncil do to solve each of the stock control problems you have identified in (i) above **(3 Marks)**

- b) With examples describe **FOUR** reasons why customers are increasingly concerned about how certain products impact the environment and their health **(9 Marks)**
Total: 15 Marks

QUESTION FOUR

- a) Muli had been looking for a drill for a long time. A few months ago, he bought a new, powerful electric drill. About a month later, something in the machine broke. Then, Muli found out that spare parts are not available in the country. No one knows how to repair the drill. His furniture store now has a machine that cannot be used. A friend of mine said he could bring me a drill from outside the country. It was the latest model and had all the desirable features. How could I say no?

Required:

- i. Was it a mistake for Muli to buy that drill? Why? Give **TWO** reasons **(2 Marks)**
 - ii. Who should Muli have talked to before he bought the drill? Why? **(1 Marks)**
 - iii. Give examples of **THREE** questions that Muli should have asked before he bought the drill **(3 Marks)**
- b) Stock taking is a system of physically counting and writing down all the stock in your business on a stock taking list. With **FOUR** reasons explain the usefulness of stock taking in a business **(9 Marks)**

Total: 15 Marks

QUESTION FIVE

- a) Explain the term stock and stock control? **(2 Marks)**
- b) Discuss **THREE** importance of stock control for a business. **(3 Marks)**
- c) Describe **SIX** steps to be followed in stock taking for a business. **(6 Marks)**
- d) The bakery owner signed a contract with the supplier to supply flour to the bakery for the next one year. After six months of engagement, the bakery owner realized that the supplier's quality has been compromised. On investigation the bakery owner revealed that, recently the supplier supplied mouldy flour. Advice the bakery owner on how to resolve the dispute with the supplier **(4 Marks)**

Total: 15 Marks