SECTION A

Q1 (a) Question aims:
- To test candidates understanding of the key areas associated with supplier selection

Syllabus References 2.1

Answer content might include:

- An appraisal of the three potential suppliers should have revealed that the lowest price quoted is by Supreme Engineering Ltd, at £53-00 per frame. However, the same company has the largest percentage of frames rejected (8%) and it takes the longest time to resolve queries (4 days). FBC would not be a significant customer, if Supreme Engineering were to be awarded the contract. It has a reputation for not keeping customers informed and it does not have a CSR policy.

- The most expensive quotation is from Avon Cycle Supplies, at £64-00 per frame. However, the company has the best record for quality, with only 2% of frames being rejected and 97% of orders are delivered on time. Also, it is the most responsive and resolves queries within one day. The company has an excellent reputation for customer relations, it has a well developed CSR policy and FBC would be a core customer if it was awarded the contract.

- The price quoted by Cornwell Frames Ltd is between the other two potential suppliers, at £57-00. However, it has the worst record of delivering on time (86%). It has a significant number of frames rejected (5%), while only 86% of deliveries are on time. It has a reputation for being unresponsive, but it is currently developing a CSR policy

(Up to 5 marks to be awarded for analysis of each of the three potential suppliers)

Total 15 marks
Q1 (b) Question aims:
• To test candidates understanding of the key variables which must be considered when making a purchasing decision.

Syllabus References 2.1

Answer content might include:
• There is no right or wrong answer to this question. It will depend upon which variables the candidate perceives as being the most important in making the decision.

• If the candidate believes that price is the only consideration, the recommendation should be that the contract is awarded to Supreme Engineering Ltd. However, there are reasons for not choosing this company, for example its poor quality record, its response time to resolve queries and its lack of a CSR policy.

• If the candidate believes that quality is the most important consideration, in terms of the lowest number of rejects or the percentage of deliveries on time, the contract should be awarded to Avon Cycle Supplies Ltd. Other arguments for choosing this company is that it has a well developed CSR policy and that it would perceive FBC as a core customer.

• If the candidate decides that the contract should be awarded on a compromise basis, it should be awarded to Cornwell Frames Ltd. The price quoted is between the others, while the percentage of frames rejected and its response time is also between the other two. It is also in the process of developing a CSR policy.

(Up to 10 marks to be awarded for selecting one of the three potential suppliers and for an appropriate explanation of why it should be awarded the contract)

Total 10 marks
Q2  (a)  Question aims:
• To test candidates understanding of the methods of measuring supplier performance

Syllabus References 2.2

Answer content *might* include:

Two examples of the models that could have been chosen are the five ‘rights’ of purchasing or Carter’s 7 ‘C’s’ model. If candidates had chosen the five ‘rights’ of purchasing model, these should have been related to the case study:

• Price; candidates should have stated that the supplier’s performance would be compared to the price quoted. For example, if the contract had been awarded to Supreme Engineering Ltd, the comparison of performance would be £53-00

• Quality; the performance of the supplier should have been that no frames delivered were rejected because of faults

• Quantity; the supplier should have delivered the number of frames ordered by FBC

• Place; the frames ordered must have been delivered to the place specified in the contract

• Time; the supplier must have delivered the frames ordered by the date specified in the contract

If candidates had chosen the Carter 7 ‘C’s’ model, any five of the following measures should have been described and related to the case study:

• Competence
• Capacity
• Commitment
• Control
• Cash
• Cost
• Consistency

(1 mark to be awarded for each measure identified and a further 2 marks for describing the measure and relating it to the case study)

Appropriate marks should be awarded to candidates who describe other relevant models.

**Total 15 marks**
Q2  (b)  Question aims:

- To test candidates understanding of qualitative measures of a supplier’s performance, specifically its corporate social responsibility policy.

**Syllabus References 2.8**

**Answer content *might* include:**

The measures suggested must be credible in the context of the case study. Examples of the measures that could have been described are:

- Policy statements by the supplier about their attitude to CSR
- Evidence of community involvement
- Feedback from other customers
- Feedback from a trade association to which they belong
- Accreditation, such as ISO 14000

Candidates are asked to describe TWO measures.

(Up to 2 marks each to be awarded for identifying appropriate measures and up to a further 3 marks each for a full description of the measure).

If a candidate has described methods of achieving corporate social responsibility, for example recycling measures or reducing a ‘carbon footprint’, rather than measures, up to 2 marks should be awarded for each relevant method described.

**Total 10 marks**
SECTION B

Q3  (a)  Question aims:
• To test candidates understanding of the concept of value-added

Syllabus References 1.2

Answer content might include:

Value-added may be defined as the achievement of financial savings or benefits that are not based on changes in unit price. Candidates should describe how this can be achieved. Examples include:

• Changing the specification of the product or service
• Substituting lower cost inputs
• Extending payment terms
• Improving operational efficiency

(Up to 4 marks to be awarded for an appropriate definition of the term added-value and up to 2 marks for each of three examples of how it can be achieved).

Total 10 marks

Q3  (b)  Question aims:
• To test candidates knowledge of how a purchasing and supply function can manage and reduce its inventory costs

Syllabus References 1.5

Answer content might include:

Candidates should explain how improving economy, efficiency and effectiveness can reduce inventory costs in and organisation.

Improving economy can reduce inventory costs through achieving best value for money. Examples could include finding lower cost suppliers or by outsourcing inventory management.

Improving efficiency can reduce inventory costs through improving the performance of the purchasing and supply function. Examples include using information technology, better supplier management and reduced obsolescence.

Improved effectiveness can achieve reduced inventory costs through improving the level of service to end users. Examples include improving service standards, achieving budget targets and better relationships.

(Up to 2 marks each to be awarded for appropriate explanations of the three terms, economy, efficiency and effectiveness. Up to a further 3 marks for an explanation of how inventory costs can be reduced by each of the three concepts).

Total 15 marks
Question aims:
- To test candidates understanding of how the use of information technology can help in measuring purchasing and supply performance

Syllabus References 1.6

Answer content might include:

Candidates may describe any relevant uses of IT of which they are aware, from their studies or from their experience. But it is important that they do not stray from the remit of the question – only those uses of IT to do with measuring purchasing and supply performance are being sought; mention of other uses of IT will attract few if any marks.

For example, any VR system could therefore be relevant to an answer, as long as it uses IT, and its operation could be described. The description could also include the additional speed scope and accuracy that can be achieved through the use of IT in such systems, contrasted with the possible downsides of information overload, compatibility issues, and costs of maintaining up-to-date hardware and software,

Other areas that candidates could discuss include using databases to measure the performance of suppliers and buyers or the use of spreadsheets to measure operational efficiency. Each of these can be used as a basis for measuring purchasing and supply performance. For example, if a database reveals that a supplier’s performance is unsatisfactory, ways of improving this can be investigated. Possible disadvantages that could be mentioned are the cost of setting up the system and the time needed for investigation and analysis.

Up to 5 marks for each way described. The key command word is ‘describe’ and candidates will be awarded a high mark only if they consider the benefits and disadvantages of each of the methods identified.

Total 25 marks
Q5  (a) Question aims:
- To test the candidates knowledge of how the development of a purchasing officer’s skills, knowledge and expertise will benefit the individual purchasing officer’s performance

Syllabus References 3.4

Answer content *might* include:
- Candidates should present a convincing case for developing an individual buyer’s skills and expertise. There are several convincing arguments that could be put forward and all credible reasons will be acceptable for marks. These arguments might include greater professionalism, greater loyalty to the employer, enhanced commitment, higher rewards. It is a wide-ranging question that invites a discursive response. There will be many opportunities here for candidates to draw on their own work and everyday life experiences to come up with convincing arguments and evidence; and additional marks should be awarded for these appropriately.

Up to 12 marks are to be awarded for this part of the question, with the highest marks for answers which offer a number of well-argued and rounded points to justify active development of a buyer’s skills and expertise in their own interests, and answers which who use evidence and examples to add extra weight to the arguments.

Total 12 marks

Q5  (b) Question aims:
- To test the candidates knowledge of how the development of a purchasing officer’s skills, knowledge and expertise will benefit the performance of an organisation

Syllabus References 3.4

Answer content *might* include:
- For this second part of the question, candidates should present a convincing case for the employer to support development of a buyer’s skills and expertise on the basis that *the organisation* will gain. Again, there are many reasons that could be brought forward, and all convincing reasons should attract marks. Likely grounds would be that the extra skills and abilities will ‘pay for themselves’ quickly - and potentially many times over - in better deals achieved by the buyer for the organisation; prices re-negotiated downwards leading to cost savings for the organisation, better services achieved for internal/external customers by the buyer, benefiting organisational efficiency. Again there will be many opportunities here for candidates to draw on their own work and everyday life experiences to come up with convincing arguments and evidence, and additional marks should be awarded for these appropriately.

Up to 13 marks are to be awarded for this part of the question, with the highest marks for answers which offer a number of well-argued and rounded points to justify active support of a buyer’s skills and expertise by their employer, for that employer’s benefit.

Total 13 marks
Q6 (a)  Question aims:
- To test candidates understanding of the analytical approaches to assess the training needs of buyers

Syllabus References 3.5

Answer content *might* include:

Candidates should explain the methods that can be used to establish the training needs of buyers. Examples include job performance appraisals, work achievements measured against personal or organisational objectives, measuring performance or carrying out tests.

Up to 5 marks should be awarded to each of three methods identified and explained. The highest marks should be awarded to answer which give examples, particularly from the candidate’s own workplace.

Total 15 marks

Q6 (b)  Question aims:
- To test candidates knowledge of the measures that can be used to assess a buyer’s performance

Syllabus References 3.5

Answer content *might* include:

Candidates could describe qualitative or quantitative measures.

Qualitative measures might include establishing and maintaining effective relationships with suppliers or the ability to work as part of a purchasing team.

Quantitative measures could include the number of orders processed over a given period of time or the time taken to respond to queries or requests from internal customers.

Up to 5 marks should be awarded for each measure described. The highest marks should be awarded for more detailed descriptions that include examples, particularly from the candidate’s workplace.

Total 10 marks

END OF MARKING SCHEME