SECURING SUPPLY:
EXAM ANALYSIS

Here we analyse some of the latest exam sittings: what topics were set, where the key pitfalls and easy marks were, what the examiner said – and where you can find material for an answer, in your Course Book.

The full text of past exams, marking schemes and Senior Assessors’ reports can be accessed by members at: http://www.cips.org

Updated: July 2011

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A supplier of aircraft fixtures has expanded rapidly, but stores and purchasing systems have not kept up.

<table>
<thead>
<tr>
<th>Q1(a)</th>
<th><strong>Five requirements to operate MRP</strong></th>
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<tbody>
<tr>
<td></td>
<td>Eg accurate forecasting. See Section 1 of Chapter 7.</td>
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<table>
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<tr>
<th>Q1(b)</th>
<th><strong>Briefing notes:</strong></th>
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<tbody>
<tr>
<td></td>
<td>(i) <strong>Four requirements from suppliers to operate JIT</strong></td>
</tr>
<tr>
<td></td>
<td>See Section 3 of Chapter 13 – noting the focus on supplier requirements.</td>
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<tr>
<td></td>
<td>(ii) <strong>Changes required for successful JIT</strong></td>
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<td></td>
<td>You had to take into account the current state of the firm’s supplier relations: adversarial payment policies, inefficient invoice processing, poor database management and communication with suppliers, and lack of trust and collaboration.</td>
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<tr>
<td></td>
<td>(iii) <strong>Two disadvantages of JIT</strong></td>
</tr>
<tr>
<td></td>
<td>See Section 3 of Chapter 13.</td>
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</table>

**Comments:** Note the requirement to format your answer to Q1(b) as ‘briefing notes’: this is worth some brief attention, with 2 easy marks available.

<table>
<thead>
<tr>
<th>Q2(a)</th>
<th><strong>Three payment terms when paying suppliers</strong></th>
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<tbody>
<tr>
<td></td>
<td>Eg: payment in advance, cash on delivery or open account. See Section 2 of Chapter 3.</td>
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<table>
<thead>
<tr>
<th>Q2(b)</th>
<th><strong>Three solutions to specified storage problems</strong></th>
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<tbody>
<tr>
<td></td>
<td>Identified problems included: no management of excess or obsolete stock; long-term forward stock orders; and resulting struggles to process the volume of incoming inventory in the available space.</td>
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</table>

<table>
<thead>
<tr>
<th>Q2(c)</th>
<th><strong>Five approaches to variety reduction</strong></th>
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<tbody>
<tr>
<td></td>
<td>See Section 3 of Chapter 6.</td>
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</table>

**Comments:** Part (b), in particular, allowed plenty of scope to demonstrate your knowledge and problem-solving ability. The challenge was perhaps to contextualise parts (a) and (c) to the case study.
### Section B (two questions, 25 marks each)

| Q3(a) | **Three methods to ensure supply of bottleneck items**  
See Section 3 of Chapter 4. | 9 marks |
| Q3(b) | **Three costs of a stock out for a specified organisation**  
Include both quantifiable and qualitative costs. See Section 3 of Chapter 1 – and note that you had to address a named organisation (or organisation type) of your choice. | 6 marks |
| Q3(c) | **Four costs of placing orders, and why they differ between organisations**  
See Section 3 of Chapter 5 – remembering to focus on acquisition and transaction costs. | 10 marks |

**Comments:**  
You might have found the explanatory element of part (c) challenging, in which case this may have been a question to avoid.

| Q4(a) | **Explain ‘economic order quantity’**  
See Section 3 of Chapter 5. | 5 marks |
| Q4(b) | **Five reasons why EOQ is not always reliable**  
See Section 3 of Chapter 5. | 10 marks |
| Q4(c) | **Costs of holding stock**  
See various sections of Chapter 2. | 10 marks |

**Comments:** This should have been straightforward, with well-covered exam topics.

| Q5(a) | **Two methods of stocktaking**  
See Section 2 of Chapter 9 – and note that you need to find 4 marks’ worth of discussion for each method. | 8 marks |
| Q5(b) | **Six reasons book stock may differ from physical stock**  
See Sections 1 and 2 of Chapter 9 – and the more systematic notes added to the Course Book Upgrade material (as part of these web-based student resources). | 6 marks |
| Q5(c) | **Three reasons to know the value of stock**  
**Five methods of stock valuation**  
See Section 1 of Chapter 3. | 5 marks |

**Comments:** Some marks were lost to confusion eg between periodic and perpetual stocktaking, and between ‘stock valuation’ and ‘costs of holding stock’. Make sure you read questions carefully and define your terms.
| Q6(a) | **Three external stakeholders in warehouse location**  
See Section 4 of Chapter 10. Start by defining ‘external stakeholders’, and remember to select stakeholders focusing on the issue of warehouse location. | 12 marks |
| Q6(b) | **Reducing opposition from local stakeholders**  
See Section 4 of Chapter 10 – and remember to include any local stakeholders you mentioned in part (a). | 5 marks |
| Q6(c) | **Four reasons to hold stock**  
See Section 2 of Chapter 1. | 8 marks |

**Comments:** You may have identified parts (a) and (c) as straightforward, but hesitated over part (b) in choosing whether to tackle this question. Do the maths: part (b) is only worth 5 marks, and you should be able to pick up some of these…

**General pitfalls**

- As ever, the pitfalls were mainly in the need to read the case study and all the questions carefully; to distinguish between closely related concepts (eg ordering costs and holding costs); and to make sure that you have all technical concepts and terminology straight in your head. Otherwise, there were few ambiguities or ‘tricks’ in the exam.

**Easy marks**

- There were good marks to be obtained from some mainstream syllabus topics: JIT; payment methods; variety reduction; cost of stockout; ordering and holding costs; EOQ; stocktaking; stock valuation; warehouse location; reasons to hold stock.
- Some questions were quite ‘open’ (eg the practical problem-solving question Q2(b)), designed to give you flexibility in displaying your knowledge and experience.

**What the examiner said**

The Answer Guidance gives some good guidance on tackling this paper.

- ‘A common weakness was the failure of candidates to answer the question through relating to the case study given. Many candidates gave very general answers, which could not be allocated as many marks.’
- Questions that ask for ‘descriptions’ or ‘explanations’ require some detail in the answer, showing good understanding of the question area.
- ‘It is extremely important that candidates understand why it is essential sometimes for companies to hold stock and to understand the implications if stock is not available. It is also important that the candidate understands that there are limitations to the amount of stock that can be held, and that they realise that stock ties up a company’s capital, and therefore there needs to be a good, valid reason for the holding of stock’. Worth bearing in mind as a framework for exam answers on stock management, JIT and so on…
- Be sensible in allocating your answering time – according to the available marks and the number of points required by the question. ‘There are no extra marks gained for developing an answer for one point – but forgetting about the *three* points requested by the question.’

- Answers must be substantial enough to earn the marks available. You must attempt to give the number of points specified in the question (eg ‘four methods’, ‘six elements’) *and* to give enough detail on each to justify the mark allocation. A one-line answer is barely enough to earn one mark.
THE NOVEMBER 2008 EXAM

Section A: case study and two compulsory questions (25 marks each)

A home-appliance repair business has expanded rapidly, but stores and purchasing systems have not kept up.

<table>
<thead>
<tr>
<th>Question</th>
<th>Description</th>
<th>Marks</th>
</tr>
</thead>
</table>
| Q1(a)    | Explain ABC analysis  
See Section 2 of Chapter 4. | 5 |
| Q1(b)    | Categorise given stock items as A, B or C, giving reasons  
From data given, you had to calculate the percentage of inventory that accounts for the percentage of the value of stock in each case, to arrive at the different categories. | 12 |
| Q1(c)    | Explain suitable inventory management techniques for each category  
Eg a two-bin system for low-value, frequently used parts (Category C). Better answers could also have commented on the case study organisation’s current stockholdings in each category, from the data given. See Table 4.2 of Chapter 4. | 8 |

Comments: Part (b) would have been challenging, if you hadn’t got to grips with how categories were calculated. Note that a precedent has been set: be prepared for calculation questions.

<table>
<thead>
<tr>
<th>Question</th>
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</table>
| Q2(a)    | Five benefits of a stock coding system  
See Section 2 of Chapter 8. | 10 |
| Q2(b)    | Seven characteristics of a successful code  
See Section 2 of Chapter 8. Note that the question clearly hints at the ‘SUCCESS’ mnemonic! | 7 |
| Q2(c)    | A suitable coding system for minimising stock variety  
We would suggest a significant coding system. See Section 1 of Chapter 8 – and remember to explain how the system could be used to keep variety to a minimum. | 8 |

Comments: This should be straightforward if you had covered the material.
## Section B (two questions, 25 marks each)

<table>
<thead>
<tr>
<th>Question</th>
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</table>
| Q3(a)    | Three stockholding policies  
See Section 4 of Chapter 1. Note that the phrase ‘stockholding policies’ always refers to these three options. | 9 |
| Q3(b)    | Eight risks in holding stocks  
See Sections 1 and 2 of Chapter 2. | 8 |
| Q3(c)    | Purpose of a ‘retention of title’ clause  
See Section 3 of Chapter 3. Always worth citing the Romalpa decision when discussing retention of title. | 8 |

**Comments:** A useful reminder to pay attention to the (relatively few) ‘legal’ aspects of the syllabus, with 8 marks allocated to a legal concept in part (c).

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<th>Question</th>
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</table>
| Q4(a)    | Four advantages and four disadvantages of forklift trucks  
See Section 2 of Chapter 12, and our more systematic notes provided in the Course Book Upgrade section of these Student Resources. | 8 |
| Q4(b)    | Four specialised racking systems for larger unit loads  
Ie systems which don’t require forklift trucks to store loads on racks eg: adjustable pallet racking or drive-in racking. See Section 1 of Chapter 12. | 8 |
| Q4(c)    | Three principles in locating stock within a warehouse  
See Section 3 of Chapter 11 – and note that the question is about stock positioning, not warehouse location. | 9 |

**Comments:** A useful reminder to pay attention to the detail of this area of the syllabus.

<table>
<thead>
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<th>Question</th>
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</thead>
</table>
| Q5(a)    | Two advantages and two disadvantages of periodic review  
See Section 2 of Chapter 5. | 8 |
| Q5(b)    | How to determine ‘average usage’, ‘lead time’ and ‘level of safety stock’  
See Section 3 of Chapter 4, Section 4 of Chapter 1, and Section 2 of Chapter 7. We have added some integrative notes in the Course Book Upgrade. | 8 |
| Q5(c)    | Three factors affecting stock usage  
See Section 3 of Chapter 4 – and our summary notes in the Course Book Upgrade. | 9 |

**Comments:** This question was all about periodic review – and the various elements used to calculate it. Once you noticed this, it was easy to avoid the pitfall of confusing ‘periodic review’ and ‘periodic stocktake’ systems.
Q6(a) **Five reasons to hold stocks**
See Sections 2 and 3 of Chapter 1. 10 marks

Q6(b) **Five ways computerised systems may reduce stock levels**
See Section 3 of Chapter 9, and Section 2 of Chapter 13. 10 marks

Q6(c) **Describe JIT stockless inventory system**
See Section 3 of Chapter 13. 5 marks

Comments: This should have been straightforward. Again, note the internal logic of the question: reasons to hold stock, plus two approaches to reducing or minimising stock levels. This general tension is central to the Securing Supply syllabus.

**General pitfalls**

- The case study questions were even more contextualised and applied than usual, causing some candidates to struggle to get beyond generic answers.

- As ever, you had to notice and address the detail of the questions set – or risk losing marks. Candidates still seem to confuse ‘stockholding policies’ (stock for inventory, stock to order and stock for forecast) with inventory management techniques (JIT, periodic review, MRP) etc.

- There were some detailed terminology questions. These often occur in relation to legal concepts – such as ‘retention of title’ (Q3(c)) or ‘bailment’ – and will continue to do so. You will need to focus your revision accordingly.

**Easy marks**

- There were good marks to be obtained from some mainstream syllabus topics: ABC analysis; stock coding; stockholding policies and rationales; materials handling systems; stock positioning; periodic review; computerised systems; and JIT.

- The same ‘core’ topics – reasons for holding stock, costs and risks of holding stock, periodic review, ABC, JIT – came up again: good news if you had worked through past exams. (But remember: you still need to answer the question set – not the question you’d anticipated…)

**What the examiner said**

There is nothing new to add: just heed the lessons of the previous sitting…
THE MAY 2009 EXAM

Section A: case study and two compulsory questions (25 marks each)

Discussion of the pros and cons of sourcing from China, and in particular the use of a sourcing agent.

<table>
<thead>
<tr>
<th>Q1(a)</th>
<th>Five factors in agent’s selection of warehouse location to hold stock from China</th>
<th>10 marks</th>
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<tbody>
<tr>
<td></td>
<td>This dealt with the specific issues of an <em>importing</em> warehouse: the need for proximity to international transport hubs; the experience of the warehouse managers in import management and so on. See Section 1 of Chapter 10.</td>
<td></td>
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</table>

<table>
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<tr>
<th>Q1(b)</th>
<th>Costs to the agent of holding stock</th>
<th>7 marks</th>
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<tbody>
<tr>
<td></td>
<td>See Section 3 of Chapter 2.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Q1(c)</th>
<th>Four acquisition costs for UK SME buyer to consider</th>
<th>8 marks</th>
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<tbody>
<tr>
<td></td>
<td>This raised issues (highlighted by the case) such as the potential for the agent to consolidate freight to gain cost advantages. See Section 3 of Chapter 5.</td>
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</table>

Comments: Fortunately, the questions were very explicit about their relevance to the case information – and there was plenty of useful information in the case that could have been used as the basis for an answer.

<table>
<thead>
<tr>
<th>Q2(a)</th>
<th>Stockholding policies likely to be preferred by:</th>
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<tbody>
<tr>
<td></td>
<td>(i) the UK buyer operating JIT with the agent</td>
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<tr>
<td></td>
<td>We’d suggest stock to order.</td>
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<tr>
<td></td>
<td>(ii) the agent.</td>
</tr>
<tr>
<td></td>
<td>We’d suggest stock to forecast. See Section 4 of Chapter 1.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q2(b)</th>
<th>Five factors in agent’s ensuring availability of stock and high service levels</th>
<th>10 marks</th>
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<tbody>
<tr>
<td></td>
<td>In other words, decisions about service levels, demand volatility and the need for safety stocks. See Section 2 of Chapter 7.</td>
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</table>

<table>
<thead>
<tr>
<th>Q2(c)</th>
<th>Potential problems for the UK buyer attempting to operate JIT directly with a Chinese supplier</th>
<th>7 marks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consider challenges such as: long communication lines, time differences, language or cultural barriers, long lead times for delivery etc. We’ve added some specific notes in the Course Book Upgrade.</td>
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</table>

Comments: This question looked difficult, but once you sorted out who (and where) the buying and supplying parties were, it was fairly straightforward.
### Section B (two questions, 25 marks each)

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<tr>
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<tbody>
<tr>
<td>Q3(a)</td>
<td><strong>Suitable inventory management techniques for A, B and C stock categories</strong>&lt;br&gt;See Table 4.2 of Chapter 4.</td>
<td>9 Marks</td>
</tr>
<tr>
<td>Q3(b)</td>
<td><strong>Why it is important to forecast demand for stock</strong>&lt;br&gt;See Section 3 of Chapter 4.</td>
<td>7 Marks</td>
</tr>
<tr>
<td>Q3(c)</td>
<td><strong>Three factors influencing forecast accuracy</strong>&lt;br&gt;We have added some notes to the Course Book Upgrade material.</td>
<td>9 Marks</td>
</tr>
</tbody>
</table>

**Comments:** You needed to read the questions carefully, and answer the questions set: the Senior Assessor complained of variable answers, based on ‘misunderstandings’.

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</thead>
<tbody>
<tr>
<td>Q4(a)</td>
<td><strong>Define dependent and independent demand</strong>&lt;br&gt;See Section 1 of Chapter 7.</td>
<td>5 Marks</td>
</tr>
<tr>
<td>Q4(b)</td>
<td><strong>Five requirements for effective MRP</strong>&lt;br&gt;See Section 1 of Chapter 7. The Senior Assessor often emphasises that the main ‘requirement for effective MRP’ is <em>accuracy</em>: make sure that this is part of your answer.</td>
<td>10 Marks</td>
</tr>
<tr>
<td>Q4(c)</td>
<td><strong>Five other inventory control techniques</strong>&lt;br&gt;See Chapter 5.</td>
<td>10 Marks</td>
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</table>

**Comments:** This should be relatively straightforward.

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</thead>
<tbody>
<tr>
<td>Q5(a)</td>
<td><strong>Five desirable features of warehouse design</strong>&lt;br&gt;See Section 1 of Chapter 11.</td>
<td>10 Marks</td>
</tr>
<tr>
<td>Q5(b)</td>
<td><strong>With diagram, show how ABC analysis can be used in warehouse layout</strong>&lt;br&gt;See Section 3 and Figure 11.5 of Chapter 11 – remembering to focus on warehouse layout (not stock management in general).</td>
<td>7 Marks</td>
</tr>
<tr>
<td>Q5(c)</td>
<td><strong>Four other principles in stock positioning</strong>&lt;br&gt;See Sections 2, 3 and 4 of Chapter 11.</td>
<td>8 Marks</td>
</tr>
</tbody>
</table>

**Comments:** A common exam pitfall is to confuse questions on ‘warehouse design’ (internal stock positions and flows) and ‘warehouse location’ (where the warehouse is sited).
| Q6(a) | **Five stock valuation methods**  
Ie: LIFO, FIFO, average, standard and replacement costing. See Section 1 of Chapter 3. | 10 marks |
|-------|-----------------------------------------------------------------|---------|
| Q6(b) | **Eight reasons book stock may differ from physical stock**  
We have added some points on this, in the Course Book Upgrade material. | 8 marks |
| Q6(c) | **Define ‘bailment’; how it may affect stock valuation and physical stock checks**  
See Section 4 of Chapter 3 for the definition – and the Course Book Upgrade material for its impact on valuation and stocktake. | 7 marks |

**Comments:**  
This might have been an optional question to avoid: although part (b) could have been answered from common sense and experience, part (c) would have been challenging.

**General pitfalls and easy marks**  
➢ As for previous exams.

**What the examiner said**  
As for previous exams. (We’re not shirking here: the examiner’s comments are increasingly brief, as well as addressing repetitive themes…)
THE NOVEMBER 2009 EXAM

Section A: case study and two compulsory questions (25 marks each)

A supplier of pre-packed vegetables is diversifying into ‘prepared for cooking’ vegetables and fresh-fruit salads – but this is causing a variety of stock management issues.

| Q1(a) | **Four stages of stock movement and issues of stock management at each stage**  
4 marks |
| Q1(b) | **Four principles of positioning stock in warehouse**  
8 marks |
| Q1(c) | **Problems of holding too much stock**  
9 marks |

**Comments:** The main challenge here was to contextualise answers to the issues posed by a highly specialised case study scenario.

| Q2(a) | **Three factors affecting demand for fresh fruit salad**  
6 marks |
| Q2(b) | **How IT systems could help in stock management**  
10 marks |
| Q2(c) | **Why stock valuation is important**  
6 marks |

**Comments:** This question required you to look beyond general theory to a highly specialised environment.
### Section B (two questions, 25 marks each)

| Q3(a) | Benefits of stock standardisation  
See Section 2 of Chapter 6. | 10 marks |
|-------|------------------------------|---------|
| Q3(b) | Three reasons stock proliferates over time  
See Section 1 of Chapter 6. | 6 marks |
| Q3(c) | Proactive variety reduction process  
Easy initial marks are available for defining ‘proactive’ as opposed to ‘reactive’ variety reduction: ie preventing stock proliferation. See Section 3 of Chapter 6. | 9 marks |

Comments: This should have been straightforward, if you had covered the material.

| Q4(a) | Explain EOQ, with diagram  
See Section 3 of Chapter 5. | 9 marks |
|-------|----------------------------|---------|
| Q4(b) | Five potential weaknesses of using EOQ  
See Section 3 of Chapter 5. | 10 marks |
| Q4(c) | Three other inventory management techniques  
See Sections 1–2 of Chapter 5. | 6 marks |

Comments: This is often-targeted exam question territory: a useful reminder to practise and review past questions.

| Q5(a) | Four advantages and four disadvantages of forklift trucks  
See Section 2 of Chapter 12, and our more systematic notes provided in the Course Book Upgrade material. | 8 marks |
|-------|-----------------------------------------------------------------|---------|
| Q5(b) | Four other material handling solutions  
See Section 2 of Chapter 8. | 8 marks |
| Q5(c) | Factors in selecting packaging  
See Section 3 of Chapter 12.  
Three advantages of palletisation  
See Section 1 of Chapter 12. | 6 marks |

Comments: Parts (a) and (b) have been set in previous exams: again, reinforcing the value of using past questions in your revision. But remember to read all questions carefully – and answer the question set in this exam.
Q6(a) **Five reasons for holding stock**
See Section 2 of Chapter 1. 10 marks

Q6(b) **Costs associated with holding stock**
See Section 2 of Chapter 2. 7 marks

Q6(c) **Three strategies to ensure supply of bottleneck items**
See Section 3 of Chapter 4. 8 marks

Comments: Parts (a) and (b) are such commonly examined questions, we’ve provided some ‘Integrated learning’ checklists, to summarise our chapter coverage, in the Course Book Upgrade material. (See also the checklists at the back of your Passnotes.)

**General pitfalls**

- The case study question posed some challenges, due to the specific nature of the market considered – although plenty of information was given in the case to direct your answers.

**Easy marks**

- As in previous exams. Very few ‘new’ topics came up here, which is reassuring – although, of course, we still advise you to study and revise topics right across the syllabus, to maximise your question options.

**What the examiner said**

There was very little to add. *Please* don’t fall into the trap of ignoring the examiner’s repeated advice in reports to previous exams.
### THE MAY 2010 EXAM

*Section A: case study and two compulsory questions (25 marks each)*

An expanding retailer of branded hair products is struggling with a range of identified distribution and inventory management issues.

| Q1(a) | **How firm could improve stock forecasting by using past usage history**  
|       | Ie using moving straight average and moving weighted average techniques. (The case study identifies that EPOS data is available for these calculations.) See Section 3 of Chapter 4. | 7 marks |
| Q1(b) | **Two factors that could influence stock forecasts**  
|       | Eg the Forrester Effect, fashion trends and competitor initiatives. This is an area in which contextualisation to the case business (retail, fashion products) is required. | 6 marks |
| Q1(c) | **Five ways IT systems could improve inventory control and management**  
|       | The Case Study indicates that EPOS is underutilised, and the warehouse info system undeveloped (in areas such as stock location). See Section 3 of Chapter 9. | 12 marks |

*Comments:* The Senior Assessor emphasised that candidates who linked their answers to the case study achieved higher marks: *always* bear this in mind when answering case study questions, even if they seem theory based.

| Q2(a) | **Six factors that should have been considered in selecting distribution centre or warehouse location**  
|       | The Case Study indicates that the national distribution centre (NDC) is not purpose built, and is located in a residential area, close to a school, creating problems and stakeholder resistance. See Chapter 10 for a range of general points. Avoid a common exam pitfall: distinguish clearly between ‘warehouse location’ and ‘warehouse design’... | 12 marks |
| Q2(b) | **Five ways warehouse could be made more efficient**  
|       | The case study highlighted issues such as: lack of warehouse information systems; inappropriate storage of sensitive products; poor stock rotation; space utilisation issues; poor stock location (warehouse design); and lack of stock coding. | 10 marks |
| Q2(c) | **Three ways to reduce stock pilferage**  
|       | See Section 3 of Chapter 2: the case study highlights the problem of ‘no strict security procedures in operation.’ | 3 marks |

*Comments:* This question offered broad scope to demonstrate your knowledge – and plenty of opportunity to tackle specific issues mentioned in the case study.
### Section B (two questions, 25 marks each)

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<td>Q3(a)</td>
<td><strong>Five reasons to hold stock</strong>&lt;br&gt;See Section 2 of Chapter 1.</td>
<td>10 marks</td>
</tr>
<tr>
<td>Q3(b)</td>
<td><strong>Five risks associated with holding stock</strong>&lt;br&gt;See Sections 1 and 2 of Chapter 2.</td>
<td>10 marks</td>
</tr>
<tr>
<td>Q3(c)</td>
<td><strong>Purpose of a ‘retention of title’ clause</strong>&lt;br&gt;See Section 3 of Chapter 3. Always worth citing the Romalpa decision when discussing retention of title.</td>
<td>5 marks</td>
</tr>
</tbody>
</table>

**Comments:** All the parts of this question have been set before (with differing mark allocations). Parts (a) and (b), in particular, are core examinable topics: while we don’t recommend ‘question spotting’, and you *always* have to read and answer the question set, it is certainly worth preparing to answer such recurring questions.

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<td>Q4(a)</td>
<td><strong>Difference between ‘standardisation’ and ‘variety reduction’</strong>&lt;br&gt;See Section 2 of Chapter 6.</td>
<td>5 marks</td>
</tr>
<tr>
<td>Q4(b)</td>
<td><strong>Five advantages of standardisation for a purchaser</strong>&lt;br&gt;See Section 2 of Chapter 6.</td>
<td>10 marks</td>
</tr>
<tr>
<td>Q4(c)</td>
<td><strong>Five costs associated with holding stock, and how they may be affected by implementing variety reduction.</strong>&lt;br&gt;See Chapter 2, and Section 3 of Chapter 6.</td>
<td>10 marks</td>
</tr>
</tbody>
</table>

**Comments:** This was not a popular question, but those who tackled it gained high marks: the content is straightforward if you had covered the material.

<table>
<thead>
<tr>
<th>Question</th>
<th>Description</th>
<th>Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q5(a)</td>
<td><strong>From data given, calculate annual usage value of stock items</strong>&lt;br&gt;<strong>From calculations, determine A, B and C category items</strong>&lt;br&gt;See Section 2 of Chapter 4 for the methodology: Stage 1 and Stage 2 of our worked example correspond to parts (i) and (ii) of the question. Make sure you are clear about categories A, B and C: A is the small-number-high-value category…</td>
<td>6 marks&lt;br&gt;12 marks</td>
</tr>
<tr>
<td>Q5(b)</td>
<td><strong>Define ‘bottleneck items’</strong>&lt;br&gt;See Section 3 of Chapter 4.</td>
<td>3 marks</td>
</tr>
<tr>
<td>Q5(c)</td>
<td><strong>Four techniques to secure supply of bottleneck items</strong>&lt;br&gt;See Section 3 of Chapter 4.</td>
<td>4 marks</td>
</tr>
</tbody>
</table>

**Comments:** If you weren’t confident about ABC analysis, or about calculation questions, this would have been the optional question to avoid. Try not to panic: at Level 3, ‘any calculation will be kept relatively simple’, says the Senior Assessor.
| Q6(a) | **Describe warehouse management systems (WMS); EPOS; RFID; and databases**  
See Sections 1 and 2 of Chapter 13. | 12 marks |
| Q6(b) | **Five advantages of computerised stock record systems**  
See Section 1 of Chapter 13, Section 3 of Chapter 9. | 5 marks |
| Q6(c) | **Eight reasons why stock counts may show different levels of stock compared to computerised stock records.**  
See Sections 1 and 2 of Chapter 9 – and the more systematic notes added to the Course Book Upgrade material (as part of these web-based student resources). | 8 marks |

*Comments:* If you weren’t on top of the detail of IT tools, this might have been a question to avoid – but you would have missed out: with 3 marks for each of the tools mentioned in part (a), there were plenty of easy initial marks to be picked up.

**General pitfalls**

- The case study question posed some challenges, due to the specific nature of the market considered – although plenty of information was given in the case to direct your answers.
- There were some detailed terminology questions, using IT concepts, legal concepts and potential confusions (eg standardisation vs variety reduction).
- The calculation question is challenging – but the Senior Assessor emphasises (a) that calculations will be kept relatively simple at this level and (b) emphasis is on methodology, rather than deriving the correct answer.

**Easy marks**

- There were some straightforward marks to be earned from mainstream (and previously examined) syllabus topics, including: demand forecasting; the use of IT; reasons for holding stock; risks of holding stock; advantages of standardisation and variety reduction; ABC analysis and bottleneck items; and stock count vs book stock.
THE NOVEMBER 2010 EXAM

Section A: case study and two compulsory questions (25 marks each)

A management training college is seeking to develop a two-day training course on ‘securing supply’, built around case study inventory statistics.

<table>
<thead>
<tr>
<th>Q1(a)</th>
<th>From usage and unit value statistics given, categorise parts as A, B or C items (showing workings)</th>
<th>12 marks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>See Section 2 of Chapter 4. You have to multiply usage rate by value to derive weekly usage value, and then categorise each part according to percentage of total usage value. Make sure you are clear about categories A, B and C: A is the small-number-high-value category…</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1(b)</th>
<th>Describe two ways ABC analysis could be used in a business</th>
<th>9 marks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Broadly, to prioritise stock management and select inventory technique (See Section 2 of Chapter 4); in stock positioning (See Section 3 of Chapter 11); or in continuous stocktaking (See Section 2 of Chapter 9).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1(c)</th>
<th>From data given, explain a suitable inventory management technique to control stocks of two specified parts</th>
<th>2 x 2 marks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The stats clearly show high stock of a low-usage part (180 weeks’ stock), and riskily low stocks of a high-usage part (less than 1 days’ stock). Disposal, periodic review or MRP are possible responses to the first issue; re-order point and buffer stock may be a response to the second. (See Section 2 of Chapter 5, and Section 4 of Chapter 6.)</td>
<td></td>
</tr>
</tbody>
</table>

Comments: Always try to link your answers to the case study, even if the questions seem entirely theory based – like part (b) here. Don’t be afraid of the calculations: the numbers here were quite easy to use, even without a calculator…

<table>
<thead>
<tr>
<th>Q2(a)</th>
<th>Three reasons for demand forecasting</th>
<th>6 marks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>See Sections 1 and 3 of Chapter 4 – but remember to focus on reasons for forecasting, not techniques of…</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q2(b)</th>
<th>How MRP can keep stockouts, excess stock and obsolete stock to a minimum</th>
<th>9 marks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>See Section 1 of Chapter 7.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q2(c)</th>
<th>Explain five advantages of unitisation of loads in warehouse management</th>
<th>10 marks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>See Section 1 of Chapter 12.</td>
<td></td>
</tr>
</tbody>
</table>

Comments: It is difficult to contextualise your answers to this question – other than to point out that the topics address the stated difficulties of the clients… Your answer was required in the form of briefing notes for the college business department, and 1–2 valuable marks were available for taking the trouble.
### Section B (two questions, 25 marks each)

| Q3(a) | Difference between raw material, work in progress and finished goods (with examples)  

See Section 1 of Chapter 1 – and don’t forget the examples. | 6 marks |
|---|---|
| Q3(b) | Five reasons organisations may hold stock of raw materials  

See Sections 2 and 3 of Chapter 1. | 10 marks |
| Q3(c) | Three steps to reduce fraudulent activity in holding stock  

See Section 2 of Chapter 2. | 9 marks |

**Comments:** This should be straightforward, if you have covered the material – particularly as the command words and mark allocations are very clear (and you are only required to produce 2–3 marks’ worth of depth for each point).

| Q4(a) | Outline three advantages and three disadvantages of designing a purpose-built warehouse  

See Section 3 of Chapter 10. You will need to flesh out the points with 2 marks’ worth of explanation (6 points x 2 marks) | 12 marks |
| Q4(b) | Describe four racking systems available for storing large unit loads such as pallets  

See Section 1 of Chapter 12. | 8 marks |
| Q4(c) | Identify five factors when deciding on stock location and layout within a storage facility  

See Section 3 of Chapter 11. Note that this isn’t about warehouse location. It’s about factors such as the popularity, similarity, size, weight and special characteristics of stock. | 5 marks |

**Comments:** Note the different requirements of the command words ‘identify’ (1 mark each) and ‘describe’ (2 marks each).

| Q5(a) | Five ways IT systems can improve the control and management of inventory  

See Sections 1 and 3 of Chapter 9, and Section 1 of Chapter 13. | 10 marks |
| Q5(b) | Five advantages of e-ordering for inventory management  

See Section 3 of Chapter 9. | 10 marks |
| Q5(c) | Two steps to secure data stored or transmitted electronically  

See Section 3 of Chapter 9 – but remember to add sufficient discussion to earn 2–3 points for each step. | 5 marks |

**Comments:** The Senior Assessor’s main criticism of answers was the tendency to give ‘bullet points’ – rather than follow the command words (describe, outline, discuss: note that even ‘outline’ doesn’t allow you such a brief list of points.).
Q6(a) **Four payment terms that could be used to purchase stock**
Ie payment in advance, cash on delivery, open account, extended payment terms or stage payments. See Section 2 of Chapter 3.  
8 marks

Q6(b) **Describe: VMI, consignment stocking and kanban**
See Section 1 of Chapter 5. Some candidates got consignment stocks and vendor managed inventory confused: make sure you’ve got them straight in your mind.  
3 x 3 marks

Q6(c) **Four essential requirements for JIT to work**
See Section 3 of Chapter 13, focusing on essential pre-conditions, such as positive supplier relations.  
8 marks

*Comments:* This is quite a technical question, and it is perhaps surprising that it was popular with candidates: many answers failed to include essential points on the topics at hand, and therefore failed to gain potential marks. Focus first on what terms mean – starting with a coherent definition – and then on the key points of the topic set.

**General pitfalls**

- The case study question posed some challenges, due to the lack of case data with which to contextualise your answers (especially to Q2).
- There were some detailed terminology questions, with potential confusions (e.g. Q6(b)).

**Easy marks**

- There were some straightforward marks to be earned from mainstream (and previously examined) syllabus topics, including: ABC analysis and inventory management; demand forecasting; MRP; stock holding; fraud management; purpose built warehouses; stock location and layout; racking systems; IT in inventory management; data security; inventory control techniques; and JIT.
- There were plenty of short-answer question parts, enabling you to get marks under your belt relatively easily, and to build up your confidence.
- There was relatively little close focus on legal and IT details and terminology, with a much broader test of your knowledge than in some past papers.