INFORMATION FOR CANDIDATES

The senior assessor’s report is written in order to provide candidates with feedback relating to the examination. It is designed as a tool for candidates – for both those who have sat the examination and those who wish to use it as part of their revision for future examinations.

Candidates are advised to refer to the Examination Techniques Guide (see the following link http://www.cips.org/documents/ExaminationtechniquesguideFeb07.pdf) as well as this senior assessor’s report.

The senior assessor’s report aims to provide the following information:

- An indication of how to approach the examination question
- An indication of the points the answer should include and how marks are allocated
- An indication of candidate performance for the examination question

APPENDIX

A matrix for the examination is included as an appendix. It highlights the learning objectives of the unit content that each question is testing.

The unit content guides are available to download at the following link: http://www.cips.org/studyandqualify/cipsqualifications/awardscontent/default.aspx

ADDITIONAL SOURCES OF INFORMATION

The Supply Management magazine is a useful source of information and candidates are advised to include it in their reading during their study. Please see the following link to the Supply Management website http://www.supplymanagement.com/
SECTION A

Q1 (a) Explain ABC analysis. (5 marks)
Q1 (b) Categorise each of the parts in table 1 as A, B or C items. Show how you reached your answer. (12 marks)
Q1 (c) Explain a suitable inventory management technique that could be used to control stocks of each category. (8 marks)

Analysis of the Question

This question aimed to test candidates' knowledge of how ABC analysis can be applied in a business practice. Part (b) sought to assess candidates’ ability to calculate and determine which parts belong to each class, in an ABC analysis. Part (c) tested candidates' ability to transfer this knowledge into suitable inventory management techniques for Altogether.

Analysis of the Answer

The key element of this question was to ascertain candidates understanding and application of the ABC analysis within a business context. Ideally answers should have flowed from a definition of each category, identifying the percentage of inventory that account for the percentage of the value of stock for each category, followed by the calculation to determine which parts belong to which categories and then finally explaining an inventory technique for managing these categories.

Exam Question Summary

This question proved to be quite difficult for most candidates. Part (a), in general was well answered, however some candidates only recognised ABC analysis as being used for the layout of a store and this caused problems when responding to parts (b) and (c).

Part (b) was not answered well, with only a few candidates understanding how to calculate which part numbers belonged in each category, even though this had often been explained accurately in part (a). ABC analysis plays an extremely important role in inventory management and it is paramount that candidates are aware of how this is calculated. Most candidates did not achieve high marks for this part of the question.

Part (c) was answered more competently than part (b), although many candidates appeared not to read the question correctly and only explained one inventory management technique rather than a technique for each category. Better answers commented on the level of stock currently being held by Altogether. An example of an answer for C class items could have included the following:

C class items are low value but frequently used. A two-bin system is particularly useful for low-value but frequently used parts, as well as reducing the need for inventory it can significantly reduce the administration by eliminating the need for stock-recording transactions. This would be suitable for Altogether as Part number 6 is a ‘C’ Class item with a current stock of 1798 pieces and a weekly usage of 10 pieces. Altogether is currently holding almost 180 weeks worth of stock for part number 6.
Q2 (a) Explain FIVE benefits of a stock coding system for Altogether. (10 marks)

Q2 (b) Outline SEVEN characteristics that are required for a successful code. (7 marks)

Q2 (c) Describe, using an example, a coding system that Altogether could use to keep variety to a minimum. (8 marks)

Analysis of the Question

This question sought to test candidates' knowledge of the benefits and requirements of a successful coding system and their understanding of how a coding system can keep variety to a minimum.

Analysis of the Answer

The key element of this question was to relate the answer to the case study by specifically referring to Altogether.

The question was structured to try and encourage candidates to demonstrate their understanding of the benefits of a successful coding system.

Part (a) was very well answered and displayed excellent understanding of the benefits that can be gained from a successful coding system.

Part (b) was in general, well answered however the question did state that candidates should outline seven characteristics and those who simply listed seven characteristics did not gain full marks.

There were some excellent answers for part (c), accurately describing a coding system, however few candidates identified how this could be used to keep variety to a minimum and therefore did not achieve high marks.

Exam Question Summary

This question was generally well answered and demonstrated a good level of understanding of stock coding systems. The main weakness was that some responses did not relate to the case study and as this was specifically requested in parts (a) and (c), it resulted in candidates missing the opportunity to gain higher marks.
SECTION B

Q3 (a)  Describe THREE different policies relating to stockholding. (9 marks)
Q3 (b)  Identify EIGHT risks associated with holding stock. (8 marks)
Q3 (c)  Describe the purpose of a ‘retention of title’ clause. (8 marks)

Analysis of the Question

This question aimed to test knowledge of different approaches relating to stock holding, the risks of holding stock and understanding of the purpose of a ‘retention of title’ clause.

Analysis of the Answer

It is important that candidates understand the different approaches relating to holding stock and the reasons why organisations may adopt each of these policies. Candidates should be aware that there are certain risks associated with holding stock and that it is not always the solution to achieving a 100% service level.

Part (c) related to how the supplier can protect themselves when supplying stock. Both the supplier and customer should understand these clauses in contracts and understand their responsibility in regard to the clause.

Exam Question Summary

This was the most popular question in Section B and was generally very well answered.

In part (a) most candidates described the three stockholding policies: stock for inventory, stock to order and stock for forecast. However, some candidates thought that this question related to inventory management techniques and described just in time (JIT), periodic review systems and materials requirement planning (MRP) which did not answer the question and failed to gain marks.

Part (b) was well answered with many responses identifying at least five risks.

Part (c) was reasonably well answered; most responses explained that a ‘retention of title’ clause is to ensure that the goods remain the property of the supplier until they have been paid for, in full. Better answers identified that these are sometimes called Romalpha clauses and that they can protect a supplier in the event of the customer going bankrupt.
Q4 (a) Describe **FOUR** advantages and **FOUR** disadvantages of using a forklift truck. (8 marks)

Q4 (b) Outline **FOUR** specialised racking systems that are available for larger unit loads, including pallets. (8 marks)

Q4 (c) Discuss **THREE** principles that can be used when deciding how stock should be positioned in a warehouse. (9 marks)

**Analysis of the Question**

This question sought to test knowledge of the advantages and disadvantages of using a forklift truck, of the different racking systems and to test understanding of how to design the best solution for stock location.

**Analysis of the Answer**

Assessors were seeking evidence of understanding of material handling solutions available for managing inventory. Many may believe that a forklift is the solution but this may not always be the case and candidates need to be able to discuss the advantages and disadvantages.

Part (b) asked for an outline of specialised racking systems that are available for larger unit loads. This question encouraged candidates to look beyond the forklift truck and identify other means of storage that do not require a forklift for storing items on racks.

Part (c) required a discussion of **THREE** principles that can be used when deciding how stock should be positioned in a warehouse; this was to ensure that candidates understand the best solution to laying out a store.

**Exam Question Summary**

Question 4 was not popular, however candidates who did select it, provided competent answers and many achieved full marks in part (a).

Some candidates appeared to find part (b) a lot more difficult. The range of specialised racking systems that are available are: block stacking, adjustable pallet racking, drive-in racking, high-rack narrow aisle racking and high-bay warehousing; brief outlines of **FOUR** of these specialised systems were required.

Part (c) aimed to get candidates to demonstrate their understanding of how to design the best solution for stock location. They were expected to discuss popularity of demand, similarity, size or weight or special characteristics; most were able to identify at least **THREE** of these and discussed them with reasonable confidence.
Q5 (a) Explain TWO advantages and TWO disadvantages of a periodic review stock control system. (8 marks)

Q5 (b) Explain how ‘average usage’, ‘lead-time’ and ‘level of safety stock’ are determined within a periodic review stock control system. (8 marks)

Q5 (c) Outline THREE factors that could have an affect on stock usage. (9 marks)

Analysis of the Question

This question sought to test understanding of the importance of the inventory management system periodic review.

In part (a) assessors were looking for evidence that candidates understood how a periodic review system works.

Part (b) tested knowledge and understanding of how the components required to calculate a reorder level, are determined.

Part (c) tested knowledge of how average usage may be affected.

Analysis of the Answer

The aim of this question was to ensure that candidates could demonstrate an understanding of specific inventory management techniques (in this instance the periodic review system) and to explain how the various components of a periodic review system are determined. Part (c) was set specifically to test knowledge of reasons why stock usage does not remain static.

Exam Question Summary

This was a very popular question but unfortunately was not well answered.

Part (a) required identification of TWO advantages and TWO disadvantages of a periodic review system. It was reasonably well answered but unfortunately some candidates got the periodic review system confused with stock taking methods and therefore did not gain marks.

Part (b) required an explanation of the components required to calculate a periodic review. This was quite well answered with most candidates providing a satisfactory explanation of average usage but many failed to identify that lead-time was calculated from the time a demand was recognised through to the time required to receive, unpack and distribute the goods. Most candidates did not state that safety stock is put in place to prevent stock outs, that can be caused by lead time and demand variability or to ensure that the required service level is achieved.

Part (c) required outlines of THREE factors that could have an affect on stock usage. It was reasonably well answered with most candidates identifying seasonality but few suggested objective and subjective data or the Forrester effect.
Q6 (a) Discuss FIVE reasons why an organisation might hold stock. (10 marks)
Q6 (b) Suggest FIVE reasons why computerised stock record systems may help reduce stock levels. (10 marks)
Q6 (c) Describe the stockless inventory system just-in-time (JIT) (5 marks)

Analysis of the Question

This question aimed to test knowledge of why an organisation holds stock and how computerised stock record systems can reduce stock levels. The final part of the question tested understanding of JIT, a philosophy that is recognised for keeping stock to a minimum.

Analysis of the Answer

It is important that candidates recognise the reasons why organisations may hold stock but also the significance of trying to keep stock to a minimum.

Part (a) asked for a discussion on the reasons why an organisation holds stock whilst part (b) sought suggestions of why computerised stock records may help reduce stock levels. Part (c) required a description of the stockless inventory system just-in-time (JIT).

Exam Question Summary

This question was popular and in most cases was very well answered.

In part (a) most candidates identified that an organisation may hold stock due to lead times, uncertainty, convenience, quantity discounts and as an investment. Some did not discuss the reasons for this, thus missing the opportunity to gain higher marks.

The answers for part (b) were generally very good and demonstrated that candidates have a detailed understanding of why computerised stock record systems may help reduce stocks.

Part (c) was reasonably well answered although some responses were very brief. Candidates need to realise that for 5 marks they need to provide a detailed answer, discussing the salient points.
APPENDIX:

Matrix indicating the learning objectives of the unit content that each question is testing

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<tr>
<th>Question No.</th>
<th>LEARNING OBJECTIVE</th>
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