Q1.

Based on uncertainties in supply and demand, discuss the different types of supply chains that are needed for different kinds of products. How would you manage each of the types of supply chain? Take examples and explain

Ans:

There are mainly 4 types of supply chains based on uncertainties in supply and demand:

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| Low Demand – Low Supply Efficient Supply chain:  Efficient and well-coordinated supply chain  a. Information sharing  b. Better coordination  E.g. salt, fmcg, oil, etc.  Low Demand – High Supply : Risk Hedging Supply chain  a. Keep Safe levels of inventories  b. Engage with more suppliers.  c. Build supplier relationship with a broader base to reduce supply uncertainty.  E.g. Food grains, Onions  High Demand – Low Supply: Responsive Supply Chain  a. Build semi-finished products at different location and deliver to customer.  b. Mass customization approach  c. Make to order  d. Respond quickly  e.g. Fashion items, specialized products  High Demand – High Supply: Agile Supply Chain  a. Combine strategies of Responsive and Risk hedging supply chain  E.g. new technological products and high tech products.  Q2.  What is the difference between an English auction and a Dutch flower auction? What kind of auction is the tendering process that companies commonly use for procurement?  **English auction:**  This approach is a method in which an asset is sold by inviting bids in ascending value. A base price is set and the bidders are allowed to bid above this price and the highest bidder will win and item will be sold to highest bidder. This is open and transparent process so it is not blindfolded approach,  **Dutch Flower auction:**  This approach uses a clock and goes descending and whosoever presses the buzzer first gets the sale. This process is not transparent and none of them knows the bidding information quoted by each other. This is a blind folded approach.  **Sealed first price auction** is the tendering process that companies commonly used for procurement.  **Q3.**  **What is the role of inventory in an organization? What are the key aspects that help you decide the amount of inventory to hold?**  **Ans:**  The main role of an inventory system is to track your products and supplies. An effective system keeps track of when you purchased inventory, when you sold it and how much you have on hand. It also tells you the location of your inventory. Your inventory system can alert you when you are running low on a product. This allows you to order it in a timely manner so you don’t have to turn customers away if you run out. Without inventory system, you could be wasting money on inventory without knowing if you are buying too much or not buying enough. You could be spending money counting and trying to value your inventory.  Below are some of the factors that help you to decide the amount of inventory to hold:  1.Holding costs  2.Transportation and Warehouse costs  3.Tax costs  4.Insurance costs  5.Safety and regulation controls  6.Risk of storage  7.External factors like macroeconomic conditions.  **Q4.**  **Discuss the difference between profit per unit and contribution per unit**  **Ans:**  Contribution per unit is calculated by subtracting the sale price per unit with the COGS (variable cost) per unit.  Unit contribution = (unit sale price) – (unit variable cost)  Profit is derived by reducing the fixed cost (sunk costs) from contribution. Net earnings is deduces after subtracting tax, depreciation and interest also from the contribution.  Profit per unit = (contribution) – (fixed cost)  Because fixed cost is a sunk cost, we should consider contribution margin while understanding financial performance of different class of products in a company. |
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