



NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
SCHOOL OF MANAGEMENT SCIENCES
MAY/JUNE 2012 EXAMINATION

HCM 343: PROCUREMENT AND SUPPLY MANAGEMENT

ANSWER 3 QUESTIONS ONLY, EACH QUESTION CARRIES 23.3 MARKS

1.a) Define Industrial Goods and Services
3.3 MARKS

b) How would you classify User-based Industrial Goods and Services?
20 MARKS

2. What are the benefits and risks associated with International Sourcing of goods and services?

23.3 MARKS

3. A manufacturing company has an expected usage of 50,000 units of a certain product during the next year. The cost of processing an order is N20 and the carrying cost per unit is N0.50 for one year. Lead time on an order is five days and the company will keep a re-service supply of two days usage.

You are required to calculate:

i) The Economic Order Quantity (EOQ);
10 MARKS

ii) The Re-order Point, and
8 MARKS

iii) What are the problems associated with EOQ Based System?
5.3 MARKS

4. a) List the principal benefits to be gained from the effective management of the Procurement Process.

13 MARKS

b) State and discuss the Key Procurement Variables as identified by Needle David..

10.3 MARKS

5. Firms A and B are identical and engage in the same business. However, firm A is levered while firm B is not.

	FIRM A N'000	FIRM B
N'000		
ASSETS	5,000	5,000
DEBT	0	2,500
EQUITY	5,000	2,500
	(5,000,000 ordinary ordinary shares)	(2,500,000 Shares)
Rate of Return (before taxes)	6%	6%

Assuming a Tax Rate of 30%, calculate *EPS*(earning per share) for firms A and B. Explain your answer.

23.3 MARKS