BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures)   :

Student ID (in Words)   :

Subject Code & Name :	**MGT1233 Inventory Management**
Semester & Year :	**January - April 2018**
Lecturer/Examiner :	**Dr. Lai Ving Kam, Associate Professor**
Duration :	**2 Hours**

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 3 parts:

    PART A (20 marks)   :   Answer ALL FOUR short answer questions. Answers are to be written in the Answer Booklet provided.

    PART B (60 marks)   :   Answer only THREE (3) Long-essay questions of 20 marks each out of NINE (9) questions given.

    PART C (20 marks)   :   Answer TWO (2) calculating question /1 scenario question out of THREE (3) questions given. Answers are to be written in Answer Booklets provided

2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.

3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.

4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 8 (Including the cover page)

Question 1

Another way to understand inventory is to separate it into two broad categories: two forms of demand which is an Inventory Models and the supply chain 'game plan. Identify the **TWO (2)** forms of demand and justify your answer.

(5 Marks)

Question 2

In inventory management, there are **FOUR (4)** Inventory Costing Methods. Outline all the **FOUR (4)** inventory costing method.

(5 Marks)

Question 3

In inventory shrinkage management, it accounts for inventory loss caused by shoplifting, employee theft, merchandise being misplaced or damaged and poor bookkeeping. Illustrate **TWO (2)** common practices that retailers are taking to measure the differences in values.

(5 Marks)

Question 4

In managing inventory record accuracy, describes **TWO (2)** methods for checking record accuracy.

(5 Marks)

End of Part A

PART B (60 marks) : **Answer only THREE (3) Long-essay questions of 20 marks each out of total NINE (9) questions given.**

INSTRUCTION : **Answers are to be written in the Answer Booklet provided.**

Question 1

a. Illustrate **FOUR (4)** importance of inventory management in consumer product industry. Justify your answers.

(12 Marks)

b. Good inventory management is a careful balancing act between stock, product availability and the cost of holding inventory. Outline the **TWO (2)** objective of inventory management

(8 Marks)

(Total 20 Marks)

Question 2

Companies have achieved financial benefits by employing Multi echelon Inventory system.

a. Describe **FOUR (4)** advantages of multi echelon Inventory system

(10 Marks)

b. Illustrate **FOUR (4)** disadvantages of multi echelon Inventory system

(10 Marks)

(Total 20 Marks)

Question 3

a. Illustrate **FOURT (4)** assumptions in Economic Order Quantity Model in determine order quantity.

(10 Marks)

b. Identify **FOUR (4)** determinants of the Reorder Point in economic order quantity.

(10 Marks)

(Total 20 Marks)

Question 4

a. In inventory management, there are **FOUR (4)** Inventory Costing Methods. Illustrate all of inventory costing method.

(5 Marks)

b. Illustrate what is First In First Out (FIFO) in inventory Management. Justify your answers.

(5 Marks)

c. Outline **FOUR (4)** advantages and **FOUR (4) Disadvantages** of FIFO method in inventory management.

(10 Marks)
(Total 20 Marks)

Question 5

ABC analysis is an inventory categorisation method based on the Pareto Principle for determining which items should get priority in the management of a company's inventory.

a. Identify and illustrate **SIX (6)** criteria in inventory categorization

(8 Marks)

b. Describe **FOUR (4)** advantages and **FOUR (4)** disadvantages of ABC analysis

(12 Marks)
(Total 20 Marks)

Question 6

Just-In-Time (JIT) works best with uniform production rate, flexible workforce and limited product variety.

a. Illustrate **FIVE (5)** elements of Just-In-Time (JIT) management system.

(10 Marks)

b. Identify **FIVE (5)** benefits of Just-In-Time (JIT) in a volatile business environment

(10 Marks)
(Total 20 Marks)

Question 7

Malaysian Accounting Standard: MASB standard 2 – inventory has documented very specific criteria on NET REALISABLE VALUE (NBV).

a. Identify the conditions in which the inventory must use Net Realization Value (NBV) to account for the value in financial account for the year-end report.

(10 Marks)

b. With reference to Clause 32, illustrates succinctly what you understand about NET REALISABLE VALUE (NBV) accounting.

(10 Marks)
Total 20 Marks)

Question 8

Collaborative Planning Forecasting and Replenishment (CPFR) is a supply Chain Management strategy seeks to reconcile production planning and associated inventories with customer demand

a. Illustrate **FOUR (4)** pre-requisites of successful Collaborative Planning Forecasting and Replenishment (CPFR) implementation

(10 Marks)

b. Outline **FOUR (4)** challenges to collaboration with supply chain management players.

(10 Marks)
(Total 20 Marks)

Question 9

Vendor Managed Inventory (VMI) has gained significant traction in strategic collaboration with the buyers.

a. Illustrate **Five (5)** Vendor management inventory (VMI) success factors in rapid changing product lifecycle industry.

(10 Marks)

b. Outline **FOUR (4)** advantages of Vendor Management Inventory (VMI) to the customer.

(10 Marks)
(Total 20 Marks)

End of PART B

PART C (20 Marks) : **Answer TWO (2) calculating question /1 scenario question out of THREE (3) scenario questions given.**

INSTRUCTION : **Answers are to be written in the Answer Booklet provided.**

Question 1

Table 1 : Periodic First-In, First-Out (FIFO) Method

Assumes that the first units purchased will be the first units sold; Ending inventory is priced using the most recent purchases

Inventory Data				
July 1	Inventory	80 units	@ $10.00	$ 800
July 6	Purchase	220 units	@ $12.50	2,750
July 25	Purchase	200 units	@ $14.00	2,800
Goods available for sale		500 units		$6,350
Sales		280 units		
On hand July 30		220 units		

First-In, First-Out (FIFO) Method
…… units @ $.......... from purchase of July …… $
….. units @ $......... from purchase of July ….. $
……units at a cost of $

Cost of goods avail. for sale	$6,350
Less July 30 inventory	
Cost of goods sold	$

Inventory cost is determined using generally accepted methods, each based on a different assumption of cost flow. With reference to the Table 01: Periodic First-In, Firs-Out (FIFO) method, calculate the following requirements:

a. On hand inventory as at July 30 based on FIFO method. (You need to list the inventory cost using FIFO method.

(10 Marks)

b. Cost of goods sold

(10 Marks)
(Total 20 Marks)

Question 2

Net investment in inventories is one of the more volatile components of business operations which warrants periodical review and control. With reference to Table 02 Inventory Investment measurements calculate the following requirements:

a. Inventory Turnover

(10 Marks)

b. Weeks / Days of Supply

(10 Marks)
(Total 20 Marks

Table 02 : Inventory Investment Measurements

The Proton car has annual cost of goods sold of $10,000,000.
The average inventory value at any point in time is $384,615.

Assumption
i.   **52 weeks / Year**
ii. **260 working days/ Year**

Calculate the following
a. **Inventory Turnover:**
b. **Weeks / Days of Supply:**

Question 3

ABC Analysis

Item	Annual Usage ($)	Percentage of Total $	Cumulative Percentage of Total $	Item Classification
106	16,500			
110	12,500			
115	4500			
105	3200			
111	2250			
104	2000			
114	1200			
107	1000			
101	960			
113	875			
103	750			
108	600			
112	600			
102	500			
109	500			
Total	**47935**			

ABC classification is a method for determining level of control and frequency of review of inventory items in a business. The table shows a solution to an ABC analysis. The information that is required to do the analysis is: i. Item #, ii. Unit $ Value, and iii. Annual Unit Usage. The analysis requires a calculation of the following:

Note: you are to use the following assumption
Assumption of classification
A=60% B- 25%, C=15% in Value

a. Percentage of Total $ by item and Cumulative percentage of Total $

(10 Marks)

b. Item classification which indicate the grouping into typical ABC classifications

(10 Marks)
(Total 20 Marks)

End of Examination paper