



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

THIRD YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BMS 320: STORAGE AND WAREHOUSE MANAGEMENT

DATE: 9/11/2020

TIME: 2:00 – 4:00 PM

INSTRUCTIONS:

Answer Question One and Any Other Two Questions.

QUESTION ONE (COMPULSORY) (30 MARKS)

Case Study: KAKA PHARMACEUTICAL COMPANY

Kaka Pharmaceutical Company (KPC) is a company incorporated in Kenya and mainly deals in production and manufacturing of human health products. The market for these products is growing and the company has expanded rapidly since its inception eleven years ago. This has not stopped it from looking for more opportunities to open two more subsidiary branches in at least two of the East African Countries. The expansion has come with attendant increase in logistics and inventory costs in the business.

Historically, KPC has had a fairly consistent track record of performance in the logistics and inventory space, considering its internal capacity characterised by a fleet of vehicles, warehouses, distribution centres, in addition to modern equipment and machinery. However, there has been a notable decline in this performance in the last three years. In order to address it, the organisation has opted to buy more vehicles, build more stores and distribution centres and hire more employees despite the increase in wage bill and decline in the performance. The expansion appetite which appears uncontrolled has only helped to exacerbate an already bad situation. The company can no longer compete on cost. As a result, the margins are dwindling as the company continues to invest its available capital in expansion plans. John can readily see that the cost of the expansion is beginning to outweigh the projected benefits.

KPC's anti-malaria drug was recently approved by the government through the Pharmacy and Poisons Board as the drug of choice for anti-malaria vaccinations. This fresh demand in the market created by the government further exerts logistical pressure on the company's overstretched systems.

Required:

- a) Advise John Somo on the FIVE distribution strategies he should consider to manage cost and improve customer service. (10 marks)
- b) Explain FIVE inventory management methods which KAKA should consider applying in order to achieve cost leadership in the market (10 marks)
- c) Keeping inventory is a cost to most manufacturing firms which they should manage. Suggest and explain five ways which KAKA should adopt in order to eliminate or reduce its costs of keeping inventory. (10 marks)

QUESTION TWO (20 MARKS)

- a) Discuss FIVE factors that a manufacturing firm should consider when deciding on the location of a storage Facility. (10 marks)
- b) Explain the characteristics of an efficient coding system of items in a warehouse (10 marks)

QUESTION THREE (20 MARKS)

- a) Explain FIVE ways a store keeper may use to ensure quality of deliveries from the suppliers (10 marks)
- b) Explain FIVE ways an organization may use to reduce costs associated with double Handling of materials. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Discuss FIVE benefits that may accrue to an organisation due to adoption of fixed stock location system (10 marks)
- b) Explain FIVE advantages of an Horse-shoe warehouse layout (10 marks)

QUESTION FIVE (20 MARKS)

- a) Analyse FIVE measures that a warehouse manager may put in place to ensure safety of goods stored. (10 marks)
- b) Discuss FIVE factors to consider when selecting a package for a product. (10 marks)