

Page No...1

NEW SCHEME

Fourth Semester MBA Degree Examination, July 2007 Business Administration

Logistics and Supply Chain Management

Time: 3 hrs.] [Max. Marks:100

Note: I. Answer any TWO questions from PART-A and any TWO questions from PART - B.
2. Questions No.8 is compulsory.

PART - A

		will a large har the term logistics?	(03 Marks)
1	a.	What do you mean by the term logistics?	(07 Marks)
	b. c.	Explain different functions of warehouses. Explain the elements of customer services.	(10 Marks)
		and the second and th	(03 Marks)
2	a.	What is demand management?	(07 Marks)
	b. с.	Explain the various activities coming under logistics. Explain various tools used in performance reporting system	(10 Marks)
		Supering Control of the Control of t	(03 Marks)
3	a.	Explain the functions of packaging.	(07 Marks)
	b.	Explain logistics information system.	(10 Marks)
	C.	Discuss different model of transportation.	•
		<u>PART – B</u>	·
	_	Explain the meaning of the terms supply chain and supply chain managen	nent.
4	a.	·	,
	b.	Explain the factors influencing distribution network design.	(07 Marks)
	c.	Explain the factors influencing supplier scoring and assessment.	(10 Marks)
_		What is aggregate planning?	(03 Marks)
5	a.	Discuss the drivers of supply chain.	(07 Marks)
	b.	Explain some typical IT applications in supply chain.	(10 Marks)
	c.	Explain some typical 11 applications in supply states	
		What are the managerial levers to achieve co-ordination in supply chain?	(03 Marks)
6	a.	Fundain different cycle inventory related costs.	(07 Marks)
	b.	- training a storage with direct shipping a	nd In-transit
	c.	merge.	(10 Marks)
_		What do you mean by the term distribution?	(03 Marks)
7		What do you mean by the term distribution.	(07 Marks)
	b.	Explain cyclic view of supply chain process.	es of supply

Explain how information accuracy can be improved at different stages of supply

chain.

(10 Marks)

Contd...2

8 CASE STUDY:

Farm Equipment Manufacture Ltd.(FEML), established in 1965, is one of the world's leading producers of agricultural equipments. FEML's latest efforts on supplier relationships have their origins in the plant redefining its business strategies during the 1990s. As a result of their redefinition, the factory was focused on sheet steel stampings, welding, assembly and paint as core manufacturing processes. With this strategy purchased past costs began to represent an increasing percentage of the FEMS's manufactured costs. This laid the first corner stone in FEML's re-examination of supplier relations. The second corner stone fell in place when, because of capacity constraints, steel stamping dept was unable to fill the factory's total stamping requirements and this led to the development of external stamping sources.

Now the third corner stone was laid: Discussion began to arise as to whether the internal stamping dept should be treated the same as external stamping suppliers with the implication that the internal dept should compete for business and receive the same level of support at any other outside source.

Typically FEMC's suppliers are small and medium sized manufacturers. Increasingly, such companies have been under industry wide competitive pressure to reduce overhead and trim costs. Many of them have reduced their employees to minimum necessary to run daily operations. Planning and implementation of new manufacturing strategies is beyond the capabilities of these companies because of lack of expertise. This realization led to the fourth and final corner stone. A vigorous debate began on "why don't strategic outside sources receive the level of support provided to FEML's internal sources"?

In 1995, Mr. Sonawala, GM-scm at FEMC's jeadquarters, initiated a pilot supplies development programme. The aim was to resolve the debate via a pilot experiment to support 16 suppliers. An agreement was forged with the pilot suppliers that would entitle FEML to share in any savings obtained from the improvements over next 18 months. FEML's engineers were sent out to work with the suppliers who participated in the project. The result showed price reductions that resulted for FEML enabled it to more than recoup the investment it made.

Based on these results, in 2001, the FEML works formed a dedicated supplier development group on providing resource to assist strategic supplies in implementing SCM. Recent improvement efforts have targeted lead-time reduction in suppliers factories. In addition to providing personnel to work at the supplier's facilities, FEML has provided training and education for supplier's staff. As a result of these efforts, FEML has seen reduction of more than 90% in lead time at some suppliers and resulting price reductions to FEML (after providing suppliers share) have been as much as 15%. The programme has yielded mutual benefits to FEMS and its suppliers.

Ouestions:

- a. What should be the basis for sharing benefits between FEML and its suppliers?
 (05 Marks)
- b. "Managing lead time is more important than reducing the inventory in a supply chain". Defend the statement in the context of FEML. (05 Marks)
- c. Explain the brief performance indicators at FEML and its suppliers end. (05 Marks)
- d. List at least four factors on which suppliers of FEML needs to be evaluated.

(05 Marks)

48,

USN	·				i		
USIN			Ĺ	 		 	

05MBA43



Fourth Semester MBA Degree Examination, Dec. 07 / Jan. 08 Logistics and Supply Chain Management

Logistics and Supply Max. Marks: 100
Time: 3 hrs.

Note: I. Answer any TWO questions from 'PART A' and any two questions from 'PART B'.
2. O.No.8 is compulsory.

	questions from 'PART B'.	
	2. Q.No.8 is compulsory.	
		•
	PART A	(03 Marks)
	a. What is meant by Logistical Competency?	(07 Marks)
1		(10 Marks)
	Discuss the role of information system in integration 1991	(10 112333)
	c. Discuss the fole of information ay	(03 Marks)
2	a. What is demand management?	(07 Marks)
2	Dispuse the relationship between operation strategy and 18	(10 Marks)
	c. Discuss in detail various logistical activities.	,
		(03 Marks)
3	a. What is manufacturing postponement?	(07 Marks)
5	 a. What is manufacturing possiporters. b. Explain the time based control techniques of logistics. c. "Customer service is the output of logistic and supply chain management. d. "Customer service is the output of logistic function" – Discuss. 	and it is key
		(10 Marks)
	c. "Customer service is the output of logistic and suppose interface between marketing functions and logistic function" – Discuss.	
	PART B	(03 Marks)
4	a. A supply chain is actually a 'Supply network' comment.	management?
-	b Discuss in brief the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors influencing distribution not be a second of the factors in the second of the factors in the second of the factors in the second of the seco	(07 Marks)
	c. How company achieves strategic fit? Distinguish between efficiency a	nd responsive
	c. How company achieves strategic Itt. Bishing	(10 Marks)
	supply chains.	• >
	a. What is meant by VMI? List out the drivers of SCM.	(03 Marks)
5	. 1 -1-sim accordination and the bulkwing officer	pact on suppry
	b. Describe supply chain coordination and the chain performance.	(07 Marks)
	p: g walain the various factors affecting the supply chain not	(10 Marks)
	c. Briefly explain the various factors described	(10 (1111113)
		(03 Marks)
6	a. What is aggregate planning in supply chain?	
	a. What is aggregate planning in supply chain?b. Explain the different methods of demand forecasting used through out the	(07 Marks)
	network.	•
	c Write short notes on:	
	i) Push vs pull supply chain process	(10 Marks)
	ii) Supply strategy.	•
	o o Gi and a remon of three FRP services provider	s. (03 Marks)
	7 a. What does ERP stands for? Give the names of three ERP services provider	n. (07 Marks)
	b Discuss managerial levers that help achieve coordination in the last the	(10 Marks)
	c. Discuss the role of 11 in SCIVI.	

CASE STUDY:

ABL is one of the leading producers of medical instrumentation. It manufactures equipment for use in hospitals. These large, high tech machines cost significant amount. Each machine is tailored to hospitals requirements and installed in a specially prepared space. These units are manufactured in ABL's plant in UK and shipped for installation to hospitals all around the world. ABL's Supply chain manager has a passion for integrated supply chain management. He and his team always have multiple improvement projects underway. Their goals up are:

- Bring the order to delivery cycle time down below three weeks. While improving quality and lower cost.
- Involving product designers to change the design for easier manufacturing, installation and customization.
- Reducing supplier base so that 20 key suppliers provide about 90 percent of supplier volume.
- Obtaining the same performance from the internal suppliers that is expected of external
- Involving suppliers in evaluation, design and analysis process.
- Using simple order transactions based on electronic media.
- Enhance customer satisfaction.
- Measure, monitor and improve the same systematically.

Currently ABL is using a state of the art ERP software coupled with SCM functions. It has also developed information system for their suppliers. ABL has also lined up with expressway, a leading logistic company by which the delivery times are monitored continuously. ABL believes in delivering a perfect order.

Ouestions:

- a. What is ABL's strategy for good supply chain management?
- b. Give any two goals set up by ABL and list their implications on ABL.
- c. What is the software being used at ABL? Apply that software to theoretical use and explain.
- d. What is perfect order in this case?

(20 Marks)

Srinivas Institute of Technology Library, Mangalore

USN	05N	MBA43
-----	-----	-------

Fourth Semester MBA Degree Examination, June - July 2009

Logistics and Supply Chain Management

Time: 3 hrs. Max. Marks:100

Note: Answer any two questions from Part-A, two from Part-B and Part -C is compulsory.

PART - A

1	a. b. c.	What do you mean by logistics competency? Discuss the concept of integrated logistics. Explain various activities of logistics management.	(03 Marks) (07 Marks) (10 Marks)
	•	2	,
2	a.	What is demand management? State its objectives.	(03 Marks)
	b.	Discuss the performance measures for customer service.	(07 Marks)
	c.	Explain the concept of logistics environmental assessment.	(10 Marks)
3	a.	What do you mean by logistics postponement?	(03 Marks)
	b.	Explain different methods of pricing used in logistics management.	(07 Marks)
	c.	Discuss different modes of transportation? Explain their merits and demerits.	(10 Marks)
		<u>PART – B</u>	
4	a.	Explain the meaning of the term supply chain.	(03 Marks)
•	b.	Explain cycle view of supply chain process.	(07 Marks)
	c.	Discuss the drivers of supply chain.	(10 Marks)
5	a.	What is the role of distribution in supply chain management?	(03 Marks)
	b.	Explain the factors influencing distribution network design.	(07 Marks)
	c.	Discuss the role of network design in supply chain and explain strategic factors	influenang
		network design decisions.	(10 Marks)
6	a.	List the characteristics of forecasts.	(03 Marks)
	b.	Explain various aggregate planning strategies.	(07 Marks)
	c.	Discuss the various factors which are considered for supplier scoring and assessment	
			(10 Marks)
7	a.	What is bullwhip effect?	(03 Marks)
	b.	What are the obstacles for achieving co-ordination in the supply chain? Explain.	(07 Marks)
	c.	Explain various IT applications in supply chain management.	(10 Marks)

05MBA43

PART - C

8 CASE STUDY

August is typically a challenging month for ocean spray cranberries. Inc, when the firm has to pump up volume to meet the surge in demand for the upcoming holiday season. Ocean spray is an agricultural co-op owned by more than 750 citrus growers. The company produces canned and bottled juice, juice drinks, and food products at distribution centers spread across the country.

Ocean spray was managing transportation operations internally, but the company decided it wanted to focus on its core competency, which, according to its director of logistics, is "maintaining our leadership in the shelf-stable juice drink category". The company also wanted to centralize its transportation operations. Looking carefully at the issue of overall performance in the logistics and transportation areas, it was found that there was a significant amount of variability in its operations. For purposes of uniformity and control, a major priority was attached to centralization of its logistics operations.

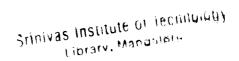
In addition, ocean Spray wanted to be able to reach markets it did not already have access to, which would require expansion of its logistics network. According to the director of logistics, an analysis was under taken to study how long it would take and what it would cost to build up ocean spray's transportation capabilities to be able to support such a network. As a result, a recommendation had been made to seriously investigate the use of a third-party-logistics (3PL) provider.

Questions:

- a. What is the rationale for ocean Spray to go for a 3PL system? (05 Marks)
- b. What according to you are advantages and disadvantages of 3PL system? Do you agree that ocean spray should go for a 3PL system? (05 Marks)
- c. What type of relationship is required between ocean spray and 3PL provider? How it can be built.

 (05 Marks)
- d. Explain various performance measures ocean spray can set for measuring performance of 3PL service provider. (05 Marks)

* * * * *



USN			08MBA43
-----	--	--	---------

Fourth Semester MBA Degree Examination, May/June 2010 **Supply Chain Management**

Time: 3 hrs. Max. Marks:100

		Note:1. Answer any FOUR full questions, from Q.No. 2. Question No. 8 is compulsory.	1 - 7.
1	a. b. c.	Explain the objectives of supply chain.	(03 Marks) (07 Marks) biscuss with (10 Marks)
2	a.	What do you mean by 'strategic fit'? How strategic fit can be achieved in princip	le?
	b. c.	What do you understand by 'Responsiveness' and 'Efficiency' of a supply chain? What are the drivers of supply chain performance? Explain the framework for the drivers with a diagram.	(03 Marks) (07 Marks) structuring (10 Marks)
3	a. b. c.	What are the measures influencing the structure of distributor network? Explain the impact of 'e – business' on 'customer service' and on 'cost control'. Discuss the various options available for distribution network along with pecharacteristics, in short.	(03 Marks) (07 Marks) erformance (10 Marks)
4	a.	What modes of transportation are best suited for large, low - value shipments? W	-
	b. c.	In pricing and revenue management, what are the right practices to be used? What are the forms of tailored transportation in SC?	(03 Marks) (07 Marks) (10 Marks)
5	a.	How a 3 rd party can help a firm to provide a sustained growth? What is the concep	
	b.	What are the risks to be evaluated, while a firm moves any function to the 3 rd part	(03 Marks) y?
	c.	While scoring and assessing the suppliers, what are the factors to be evaluated, prices quoted?	(07 Marks) other than (10 Marks)
6	a. b. c.	What is 'bullwhip effect'? How does it affect the total SC effectiveness? What are the effects on performance of lack of coordination in SC? What are the managerial levers to increase total supply chain profits and mobullwhip effects?	(03 Marks) (07 Marks) oderate the (10 Marks)
7	a. b. c.	Define customer service. State a few examples of customer service activities	(03 Marks) (07 Marks)

8 CASE STUDY:

The Dell computer corporation, a mass customizer of personal computers, is experiencing a phenominal growth and profitability, in an industry, that traditionally has low profit margin. In 1991 sales had increased by 71% and because of Dell's low cost style of manufacturing and marketing operations, profit shot by 91%. With this, Dell rose to 3rd position among PC makers ahead of Packard – Bell, NEC and Apple computers.

What is Dell's secret? In single word – 'Speed'. A customer order for a customized computer can be on a delivery truck in 36 hours. This capability allows Dell to keep parts costs and inventories low – 13 days of sales, versus 25 days of Compaq's, thereby enabling it to sell at a price 1 to 15% below that of the competitors.

A primary factor in filling customer's order is, Dell's manufacturing operations and performance of its suppliers. Dell's manufacturing process is flexible enough to delay the ordering of components and the assembly of components, until the order is booked. In addition, Dell's warehousing plan calls for bulk of its components to be warehoused within 15 minutes of its Austin (Texas), Limerick (Ireland) and Penang (Malaysia) plants.

To accomplish this result, Dell selected suppliers, who were committed to warehousing plan, now 74 companies, down from 204 companies in 1992. At its Austin plant, Dell does not really have to order the components, because the suppliers restock and manage their own inventories. Dell uses these components as needed and is not billed, until they leave the warehouse. This system of suppliers and manufacturing operations, has proven to be of great advantage for Dell over its 'competitors'. For example, if Compaq suddenly needed a supply of components from its warehouse, 12 to 18 hours would be required to get them, at IBM 48 hours time would be needed. For Dell, only few minutes are required.

Dell's efficient operations carryover to service providers, who also are used to lower the costs and reduced lead time. For example, Dell might send an e – mail to UPS, requesting that, a computer monitor to be sent to a particular customer as part of purchased computer. UPS pulls a monitor from the monitor supplier stock and schedules it to arrive with the PC, saving Dell's shipping and inventory cost.

Such careful management of material and services from suppliers, through production to the customer let Dell operate more efficiently than any other computer manufacturer.

Questions:

- a. What are the aspects in which Dell stands ahead of IBM and Compaq? How? (05 Marks)
- b. How the ultimate customers are benefited by Dell's networking and logistic activities?

(05 Marks)

c. Identify the concepts of 'supply chain management', applied by Dell in the above case, and briefly discuss each concept. (10 Marks)

USN 05MBA43

Fourth Semester MBA Degree Examination, Dec.09/Jan.10

Logistics and Supply Chain Management

Tame: 3 hrs.

Max. Marks:100

_	: 3 hrs.	arks.100
naining blank pages. 42+ 0 ≠50, will be treated as	Note: 1. Answer any Two full questions each of from Part-A an 2. Question No. 8 is compulsory.	d Part-B.
lank pa , will b	<u>PART–A</u>	
	What do you mean by the term logistics?Explain the various elements of logistics costs.Explain the role of logistics in supply chain. Explain briefly the logistics activities	(03 Marks) (07 Marks) (10 Marks)
ur answers, compulsorily draw diagonal cross lines or identification, appeal to evaluator and/or equations witten eg	 What is demand management? What do you mean by 'time based logistics'? Discuss two fundamental concepts based logistics. What is customer service? What are the elements of customer service? How to customer service standards. 	(07 Marks)
ur answers, compulsorily draw diagonal cross lines or destification, appeal to evaluater and/or equations with	 What do you mean by logistical competency? Explain different functions of warehouse. What is meant by 'Logistics environmental assessment'? Describe the environmental must be considered for logistics environmental assessment. 	(03 Marks) (07 Marks) ntal factors (10 Marks)
vers, c ation, a	<u>PART-B</u>	
5 '	Define the term "Supply chain". Discuss the evolution of logistics towards supply chain. What are "Supply chain drivers"? Explain the role of supply chain drivers in chain decision making network.	(03 Marks) (07 Marks) the supply (10 Marks)
- 6	What are the functions of distribution channels? Discuss the various factors influencing network design decisions. Discuss the role, purpose and methods of forecasting in supply chain.	(03 Marks) (07 Marks) (10 Marks)
porta	Distinguish between 'Strategy' and 'tactics'. Bring out the meaning and objectives of aggregate planning in a supply chain. What do you mean by JIT? Bring out the objectives and benefits of JIT system.	(03 Marks) (07 Marks) (10 Marks)
	What is EDI?What is meant by "coordination" in a supply chain? Discus, the various manager	(03 Marks) al levers to

b. What is meant by "coordination" in a supply chain? Discus, the various managerial levers to achieve coordination with in a supply chain. (07 Marks)

c. Discuss the role of IT in supply chain management.

(10 Marks)

8 Case study

Warehousing limited, located some where in the Pune industrial belt, has a logistics department that provides warehousing services to its own retail outlets. Product managers are charged a "Warehousing usage" fee according to the percentage of total space their products take up in the warehouse. Warehouse Ltd., uses a product recognition report that gives the net profit for each product. The statement shows sales generated by the product and deducts expenses like manufacturing, distribution and marketing. Both executives and product managers use the information from the statement to help them in strategic planning. A regularly occurring strategic issue is which product lines to expand and which lines to drop. The top management develops new business plans based on recommendations from the strategic planning committee. A significant cost category is warehousing. These costs come from storing the product after it leaves the manufacturing facility but before it arrives at the retail outlet. Typical warehousing costs include labour, material handling equipment and depreciation on the warehouse.

The warehouse has 60,000 cubic feet, which costs Mu 60,000 (here Mu = monetary unit such as Rs.) annually. Warehouse Ltd., has three categories of products known as x, y and z. Product x(steel tire rims) takes up one-sixth of the warehouse space, so it is allocated Mu 10,000 (Mu. 60,000 total cost times 10,000 cubic feet used by product x divided by 60,000 total warehouse space) Product y (consumer electronics) takes up one-third of the warehouse space, so it is allocated Mu 20,000(Mu 60,000 total cost times 20,000 cubic feet used by product y divided by 60,000 total warehouse space). Product z (Pillows) takes up one-half of the warehouse, so it is allocated Mu 30,000(Mu 60,000 total cost times 30,000 cubic feet used by product z divided by 60,000 total warehouse space).

Mahir, manager of product z, receives a product recognition report that shows a negative profit for his product line. He realizes that the product may be discontinued. When the vice-president of sales asks him to defend product z, Mahir explains that the current accounting method allocates too much of the warehouse cost to his product line. Mahir argues that while pillows take up 50 percent of the warehouse space, most of the warehouse costs come from material handling. Mahir further argues that pillows are the easiest of the three products to handle, so they should be allocated a smaller portion of the warehousing costs. He believes that the other two products should be allocated more warehousing costs because they are harder to handle than pillows. Mahir is told, "Sorry, this is the way costs are allocated". Mahir has a couple of concerns. First, he feels that incorrect accounting techniques make his product's performance look poor. Farther more, Mahir believes that by allocating fixed costs to products (x, y and z), top-level managers are basing their decisions partly on irrelevant data.

Questions:

- a. What do you think of Mahir's arguments regarding the current accounting system? (06 Marks)
- b. Prepare a report to the vice-president highlighting the drawbacks (if any) of the existing system and suggesting an improved system for accounting. (07 Marks)
- c. How will this new system help increase the effectiveness of the supply chain management for warehousing limited? (07 Marks)

* * * *

Fourth Semester MBA Degree Examination, Dec.09/Jan.10

Logistics and Supply Chain Management

remaining blank pages.

hur answers, compulsorily draw diagonal cross lines oπ

Max. Marks:100

Note: 1. Answer any Two full questions each of from Part-A and Part-B. 2. Question No. 8 is compulsory.

PART-A

What do you mean by the term logistics? (03 Marks) Explain the various elements of logistics costs. (07 Marks)

Explain the role of logistics in supply chain. Explain briefly the logistics activities. (10 Marks)

What is demand management? (03 Marks)

What do you mean by 'time based logistics'? Discuss two fundamental concepts of time based logistics. (07 Marks)

What is customer service? What are the elements of customer service? How to implement customer service standards. (10 Marks)

What do you mean by logistical competency? (03 Marks)

Explain different functions of warehouse. (07 Marks)

destification, appeal to evaluate and/or equations.

The stiff and the s What is meant by 'Logistics environmental assessment'? Describe the environmental factors that must be considered for logistics environmental assessment. (10 Marks)

PART-B

Define the term "Supply chain". (03 Marks)

Discuss the evolution of logistics towards supply chain. (07 Marks)

What are "Supply chain drivers"? Explain the role of supply chain drivers in the supply (10 Marks) chain decision making network.

Important Note: 1. On completing 2. Apy revealing Any revealing What are the functions of distribution channels? (03 Marks) 5.a.

Discuss the various factors influencing network design decisions. (07 Marks)

c. Discuss the role, purpose and methods of forecasting in supply chain. (10 Marks)

a. Distinguish between 'Strategy' and 'tactics'. (03 Marks)

Bring out the meaning and objectives of aggregate planning in a supply chain. (07 Marks) b.

What do you mean by JIT? Bring out the objectives and benefits of JIT system. (10 Marks)

What is EDI? (03 Marks) a.

What is meant by "coordination" in a supply chain? Discus, the various managerial levers to achieve coordination with in a supply chain. (07 Marks)

Discuss the role of IT in supply chain management. (10 Marks)

8 Case study

Warehousing limited, located some where in the Pune industrial belt, has a logistics department that provides warehousing services to its own retail outlets. Product managers are charged a "Warehousing usage" fee according to the percentage of total space their products take up in the warehouse. Warehouse Ltd., uses a product recognition report that gives the net profit for each product. The statement shows sales generated by the product and deducts expenses like manufacturing, distribution and marketing. Both executives and product managers use the information from the statement to help them in strategic planning. A regularly occurring strategic issue is which product lines to expand and which lines to drop. The top management develops new business plans based on recommendations from the strategic planning committee. A significant cost category is warehousing. These costs come from storing the product after it leaves the manufacturing facility but before it arrives at the retail outlet. Typical warehousing costs include labour, material handling equipment and depreciation on the warehouse.

The warehouse has 60,000 cubic feet, which costs Mu 60,000 (here Mu = monetary unit such as Rs.) annually. Warehouse Ltd., has three categories of products known as x, y and z. Product x(steel tire rims) takes up one-sixth of the warehouse space, so it is allocated Mu 10,000 (Mu. 60,000 total cost times 10,000 cubic feet used by product x divided by 60,000 total warehouse space) Product y (consumer electronics) takes up one-third of the warehouse space, so it is allocated Mu 20,000(Mu 60,000 total cost times 20,000 cubic feet used by product y divided by 60,000 total warehouse space). Product z (Pillows) takes up one-half of the warehouse, so it is allocated Mu 30,000(Mu 60,000 total cost times 30,000 cubic feet used by product z divided by 60,000 total warehouse space).

Mahir, manager of product z, receives a product recognition report that shows a negative profit for his product line. He realizes that the product may be discontinued. When the vice-president of sales asks him to defend product z, Mahir explains that the current accounting method allocates too much of the warehouse cost to his product line. Mahir argues that while pillows take up 50 percent of the warehouse space, most of the warehouse costs come from material handling. Mahir further argues that pillows are the easiest of the three products to handle, so they should be allocated a smaller portion of the warehousing costs. He believes that the other two products should be allocated more warehousing costs because they are harder to handle than pillows. Mahir is told, "Sorry, this is the way costs are allocated". Mahir has a couple of concerns. First, he feels that incorrect accounting techniques make his product's performance look poor. Farther more, Mahir believes that by allocating fixed costs to products (x, y and z), top-level managers are basing their decisions partly on irrelevant data.

Questions:

- a. What do you think of Mahir's arguments regarding the current accounting system? (06 Marks)
- b. Prepare a report to the vice-president highlighting the drawbacks (if any) of the existing system and suggesting an improved system for accounting. (07 Marks)
- c. How will this new system help increase the effectiveness of the supply chain management for warehousing limited? (07 Marks)

* * * *