

## EXTERNAL INTEGRATED SUMMATIVE ASSESSMENT

### EXEMPLAR 3B - MEMORANDUM

<b>STUDENT NAME &amp; SURNAME</b>	
<b>ID NUMBER</b>	
<b>EISA REGISTRATION NUMBER</b>	
<b>ASSESSMENT CENTRE</b>	
<b>ASSESSMENT CENTRE ACCREDITATION NUMBER</b>	
<b>QUALIFICATION</b>	<b>OCCUPATIONAL CERTIFICATE: RETAIL MANAGER GENERAL (RETAIL STORE MANAGER)</b>
<b>SAQA ID</b>	<b>91789</b>
<b>CREDITS</b>	<b>507</b>
<b>PAPER</b>	<b>1B (there are 2 papers to be written: 1A and 1B)</b>
<b>DATE OF EISA</b>	DD/MM/YYYY
<b>DURATION</b>	<b>3 HOURS</b>
<b>TOTAL MARKS</b>	<b>80</b>

#### GENERAL EISA RULES

1. Students are **only** allowed to use the supplied EISA booklets.
2. Students are **only** allowed to use a black pen for their answers.
3. Students to ensure that their name, surname and EISA registration number appears on the front of your EISA booklet.
4. This is a closed book examination; therefore, no other material or belongings are to be brought into the assessment centre. Should you bring any other material or belongings into the assessment centre, you will be required to leave such at the front of the assessment centre examination room. The assessment centre will not be held liable for any loss or damage to property brought into the assessment centre examination room.
5. All EISA booklets must be handed back to the invigilator intact. No pages may be torn off from the EISA booklet. The removal of EISA booklets from the examination room is prohibited.
6. Students may make use of a calculator in this EISA.
7. Unless this is an online examination where access to a computer will be made available to you; the use of any communication devices, including smart watches, cell phones, tablets, i-Pads, head phones and laptops are prohibited.
8. All cell phones are to be switched off for the duration of the EISA.
9. The invigilator will not assist you with the explanation of questions related to the EISA.
10. Students are prohibited from conversing in any manner with other students.
11. Students may not leave the examination venue within one hour of the start of the examination and in the last 10 minutes of the allotted examination period.
12. Students who are found to be disruptive and unruly in the assessment centre will be requested to leave the assessment centre by the invigilator.

I HEREBY CONFIRM THAT I HAVE READ THE ABOVE EISA RULES AND DECLARE THAT I UNDERSTAND AND ACCEPT THE RULES.

\_\_\_\_\_  
**SIGNATURE OF STUDENT**

## **CANDIDATE INSTRUCTIONS**

- Candidates must complete all questions in this EISA.
- Candidates must ensure that they use only a black pen when completing this EISA.
- Should you require additional space to complete your answer, please request additional paper from your invigilator. Ensure that you indicate your name, surname and EISA registration number at the top of the additional paper. Also ensure that the question number is clearly marked on your additional paper.

### **Question 1**

#### **Managing the Retail Supply Chain**

**(44 Marks)**

Shirley's Supermarket is a retail business located in Mannenberg and the retailer sells basic households products such as bread, milk, cigarettes, cool drinks etc. in small quantities.

Below is a stock report for the period June – September 2019. When presenting the report, the store manager also noted that:

- There is no frozen ice cream in stock because the supplier is also out of stock.
- Laundry soap is out of stock because the company's buyer placed the order very late and as such no deliveries have been received in the past two weeks.
- The records show that there are 30 packets of coffee in stock but the physical stock count revealed that the item is out of stock. This anomaly is as a result of stock theft.
- The buyer incorrectly ordered 200 bottles of soft drinks instead of 150.
- The toys are imported from an overseas supplier.
- Fresh produce is sourced from a local supplier who has his own delivery vehicles. However, his delivery service has been erratic.
- Frozen products are also sourced from a local supplier who has his own delivery vehicles. However, this supplier is reliable.
- Chicken is ordered from a supplier based in a town that is 2000km away so lead times are high.
- High value items e.g. cell-phones, jewellery and perfumes are sourced from a supplier who does not have delivery vehicles.

Fast selling items such as tissues and soft drinks are big and bulky and they therefore require more storage space. These products are mainly stored at the company's distribution centre.

**Shirley's Supermarket: Stock and Sales Report for the period June – September 2019**

<b>Name of Item</b>	<b>Beginning Inventory</b>	<b>+ Purchases</b>	<b>- Ending Inventory (actual)</b>	<b>= Total Number of Units Sold</b>	<b>Selling Price/Unit</b>	<b>= Total Sales</b>	<b>Theoretical stock on hand</b>
Ice ream	180	30	0	190	R5	R950	20
Laundry soap	100	50	0	150	R10	R1 500	0
Coffee	60	50	0	80	R10	R800	30
Soft drinks	120	200	20	250	R15	R3 750	70
Boys toys	90	60	15	120	R800	R84 000	30
Fresh beans	300	140	0	420	R15	R6 300	20
Chicken	100	30	0	130	R70	R9 100	0
Jewellery	20	15	32	2	R1 200	R2 400	33
Tissues	800	200	0	1000	R50	R50 000	0
Pasta	120	130	0	250	R50	R12 500	0
Cell-phones	100	50	140	3	R4 000	R12 000	147

- *The mark up on all the products is 50%.*
- *All figures must be rounded off to two decimal numbers where applicable.*

1.1 Calculate the inventory turnover ratios for ice cream, jewellery, pasta and chicken. The company uses the periodic inventory management system.

(8 marks)

**Allocate one mark for the correct calculation of each turnover ratio and another mark for the correct answer for each turnover ratio.**

The inventory turnover ratio is calculated by dividing the cost of goods sold for a period by the average inventory for that period. Average inventory is used instead of ending inventory because many companies' merchandise fluctuates greatly throughout the year.

Inventory turnover ratio for ice cream:

$$\frac{190 * 5}{(180 + 30 - 0) * 2.5} = \frac{950}{525} = 1.81$$

Inventory turnover ratio for jewellery:

$$\frac{2 * 1\,200}{(20 + 15 - 32) * 600} = \frac{2\,400}{1\,800} = 1.33$$

Inventory turnover ratio for pasta:

$$\frac{250 * 50}{(120 + 130 - 0) * 25} = \frac{12\,500}{6\,250} = 2$$

Inventory turnover ratio for chicken:

$$\frac{130 * 70}{(100 + 30 - 0) * 35} = \frac{9\,100}{4\,550} = 2$$

1.2 Identify and describe any four (4) stock related issues other than shrinkage that the retailer is facing.

(8 marks)

**Allocate two marks for the identification and description of any four of the following issues:**

- There is no frozen ice cream in stock because the supplier is also out of stock. The store should not rely on one supplier.

- Laundry soap is out of stock because the company's buyer placed the order very late and as such no deliveries have been received in the past two weeks. This is evidence of poor performance in stock ordering process and lack of an effective inventory management system.
- The buyer incorrectly ordered 200 bottles of soft drinks instead of 150. This is evidence of poor performance in stock ordering and points out to a lack of checks and balances in the inventory management system
- The boys' toys are imported from an overseas supplier. This may affect lead times and also the cost of importing the products will ultimately affect the price that the store will charge.
- Fresh produce is sourced from a local supplier who has his own delivery vehicles. However, his delivery service has been erratic. The store should not rely on one supplier. They need to have alternative suppliers. The store must also have alternative forms of transportation.
- Chicken is ordered from a supplier based in a town that is 2000km away so lead times are high. The store needs to find an alternative supplier who is located closer to the store. If this is not possible, the store needs to order in large quantities so that they avoid running out of stock. They need to have enough buffer stock.
- High value items e.g. cell-phones and jewellery are sourced from a supplier who does not have delivery vehicles. The store must organise its own transport to collect the items from the supplier. This not only increases the cost of the cell-phones but also the security risk of transporting such items.
- Fast selling items such as tissues and soft drinks are big and bulky and they therefore require more storage space. These products are mainly stored at the company's distribution centre. This increases the cost of selling these products as they have to be transported from the DC to the store.

1.3 Identify any four (4) products that have a high shrinkage rate at the store.

**(4 marks)**

**Allocate one mark for the identification of four of the following products**

- Ice cream
- Coffee
- Soft drinks
- Boys toys
- Fresh beans
- Cell-phones

- 1.4 Evaluate the performance of any three products listed in the report and make appropriate recommendations to relevant stakeholders and external suppliers on how to improve stock performance.

(9 marks)

**Allocate three marks for the explanation of the performance of any of the following three products.**

During the four months' period;

- **Toys** – this product performed fairly well as the store managed to sell almost 75% of the stock. However, shrinkage for this product is high as the theoretical records show that there are 30 units in stock whilst in actual fact only 15 toys are left.
- **Fresh beans** – This is a fast moving product and all units were sold and the store is currently out of stock. However, shrinkage for this product is high as the theoretical records show that there are 20 units in stock whilst in actual fact the product is out of stock.
- **Ice cream** – This is a fast moving product and all units were sold and the store is currently out of stock. However, shrinkage for this product is high as the theoretical records show that there are 20 units in stock whilst in actual fact the product is out of stock.
- **Laundry Soap** - This is a fast moving product and all units were sold and the store is currently out of stock.
- **Cell-phones** – This is a slow moving products and only three units were sold. Shrinkage is also high for this product as 7 units were stolen or are missing.
- **Soft drinks** - this product performed fairly well as the store managed to sell almost 75% of the stock. However, shrinkage for this product is high as the theoretical records show that there are 70 units in stock whilst in actual fact only 20 units are left.
- **Chicken** - This is a fast moving product and all units were sold and the store is currently out of stock.
- **Pasta** - This is a fast moving product and all units were sold and the store is currently out of stock.
- **Jewellery** - This is a slow moving products and only three units were sold.
- **Coffee** - This is a fast moving product and all units were sold and the store is currently out of stock. However, shrinkage for this product is high as the theoretical records show that there are 30 units in stock whilst in actual fact the product is out of stock.
- **Tissues** - This is a fast moving product and all units were sold and the store is currently out of stock.

- 1.5 According to the case study, the retailer is facing supply chain challenges with products such as toys, frozen ice cream, chicken, tissues and fresh produce. Propose appropriate supply chain options for these products.

(15 marks)

**Allocate three marks for a comprehensive explanation of the proposed supply chain option for each of the five products**

- **Toys** - These are imported from an overseas supplier and are fast moving. The store should consider finding a local supplier or alternatively stocking the products in huge quantities at its DC to avoid a stock-out.
- **Fresh beans** – Fresh produce is sourced from a local supplier who has his own delivery vehicles. However, his delivery service has been erratic. The store should consider having a number of suppliers instead of relying on one supplier. Furthermore, the store can also have its own delivery vehicles to use to go and collect the products from the supplier.
- **Frozen ice cream** - there is no frozen fish in stock because the supplier is also out of stock. The store should consider having a number of suppliers instead of relying on one supplier. Furthermore, since this is a fast moving product, the store could consider increasing the quantities that they order so as to keep large stocks in order to avoid stock-outs.
- **Chicken** – This product is ordered from a supplier based in a town that is 2000km away so lead times are high. The store should consider having a number of suppliers instead of relying on one supplier who is also located far away from the store. Furthermore, since this is a fast moving product, the store could consider increasing the quantities that they order so as to keep large stocks in order to avoid stock-outs.
- **Tissues** – These products are bulky and the store has limited space to stock them. The company should consider a just-in-time arrangement with its suppliers to ensure that the products are delivered just-in-time when they are needed before the store goes out of stock. The store can also order in large quantities and stock this product at the DC in order to avoid stock-outs.

(Total Marks for Question 1 = 44)

## Question 2

### Retail Operations Management

(36 Marks)

De Vaal Hypermarket is an independent retailer located in Pretoria central. The fully-fledged hypermarket offers a comprehensive portfolio of products and services that include groceries, furniture, hardware and clothing. Besides the shop manager who is in overall charge, the store also has managers responsible for the following key sections:

- Despatch
- Receiving
- Check-out
- Storage
- Cash office
- Butchery
- Bakery
- Fresh foods
- Furniture
- Hardware
- Clothing
- Grocery

A new range of grocery products (never stocked before) is due in the store soon. This will involve product training for the sales team and the merchandisers. Before then, the store must prepare additional storage space and give the new range front of store promotional space. This involves moving other ranges to accommodate the new lines. The new range must only be packed out by 30 October 2019 in time for the festive season. The shop manager also intends to launch an in-store campaign to promote the new range of products.

2.1 Create checklists to evaluate any two specific sections of the store.

(10 marks)

**Allocate five marks for each of the following two checklists:**

Despatch section check list

- Check that the plan for the despatch of finished products is received by the Despatch section clearly indicating the quantity/ location and the description of the product.
- Examine the method and the procedure for the despatch of products to ensure that the despatches are effected smoothly.



- Check the despatch report prepared as at the end of the day to ensure that the despatches planned for the day are in fact effected in totality.
- Check the pending delivery / despatch status for a particular period (on a day to day basis). This information can be maintained in the form of a report.
- Ensure that there is a proper system to weigh the finished goods for despatch. The weighbridges and the related equipment should always be properly maintained (including calibration of weighing machines)
- If the sales invoices are prepared at the despatch section check a few invoices spread over a period to ensure that the invoices are prepared correctly as regards Rates / Excise duty / Sales Tax etc.
- Ensure that a proper control is kept over the stationery of blank invoices. The sales invoices should be authorized by a person duly authorized in writing in this behalf.
- Check that the Freight Consignment Notes are properly prepared.
- Check that the consignment of finished goods once weighed and okayed at the despatch section are checked for the necessary papers - Gate pass / Sales Invoice / Road permit / Freight Consignment No, etc. at the exit gate by security or by a responsible person deputed in the sales despatch section.
- Verify the status of transporter trucks provided against the trucks ordered.
- Check that all the trucks being despatched are not being loaded less than the minimum weight agreed for payment. If so, proper justification & approval should be reviewed.
- Status of insurance, if any, to be checked.
- Check that all the transporters are approved transporters and their contract is approved by authorized person from Head Office.

The checklist for the receiving section should include the following information:

A receiving procedure is needed to properly inspect all incoming goods, mark them with tags, and record them as having been received.

- ***Inspect Incoming Goods -:***
  - Upon receipt of a delivery, match the received items to the description stated on the accompanying bill of lading, as well as the description on the related purchase order. Major discrepancies can lead to rejection of the delivered goods.
  - If there is no authorizing purchase order and the purchasing manager does not issue a waiver, reject the delivered goods.
  - Use a pre-printed receiving checklist to inspect each delivery. Items likely requiring review are the quantity received, comparison to a quality threshold,

and the date and time of receipt. Note any variances on the checklist. Initial the checklist when the review is complete.

- Sign a photocopy of the bill of lading to indicate that the delivery has been inspected and is accepted.

- ***Identify and Tag All Received Inventory***

- Identify each item in a delivery and ensure that it is properly labelled with a bar coded tag that includes the item number, quantity, and unit of measure. If there is some uncertainty regarding which item number to use, consult with the senior warehouse staff or purchasing department.

- ***Log in Received Items***

- Update the receiving log with the date and time of receipt of each delivery, as well as the name of the shipper, supplier, purchase order number, and description of goods received.
- Send a copy of the signed bill of lading to the billing clerk in the accounting department.
- File the master copy of the billing of lading by date in the warehouse filing area.

**Note:** *If a delivery arrives when a physical inventory count is being conducted, segregate the goods in a clearly marked storage area, and do not record these items in the inventory database until after the physical counting process is complete.*

- Dry, refrigerated, and frozen storage areas must be maintained at the proper temperatures.
- Cleanliness is important, and several food safety practices must be implemented to help maintain product quality during storage.
- Storage locations and capacities often relate to production volumes and are affected by the frequency of deliveries.
- Effective managers routinely calculate inventory turnover rates and determine the costs of products in inventory.
- Then they can calculate the monthly cost of goods sold (food or beverage cost) for comparison with the operating budget and completion of the income statement.

2.2 Identify five examples of risk in the case study and then analyse and evaluate these risks.

(6 marks)

**Allocate half a mark for identifying the type of risk and another half a mark for the explanation of the risk in the case study. Use discretion to allocate the one mark for a good answer.**

- Strategic risk – the risk that the company may fail to achieve its goals, for example as a result of increasing competition.
- Financial risk – the risk of losing money, for example as a result of poor financial controls, under-banking, theft etc
- Reputational risk – having a negative reputation as a result of for example, poor customer service, high employee turnover, employee absenteeism etc
- Physical risk – risk of physical harm, for example, customers falling inside the store, fire outbreak etc.
- Compliance risk – the risk of failing to comply with the rules, regulations, procedures, laws etc

2.3 Recommend strategies to mitigate the risks that you identified in question 2.2 above.

(8 marks)

**There are four basic ways to handle a risk.**

- **Avoid:** The best thing you can do with a risk is avoid it. If you can prevent it from happening, it definitely won't hurt your project. The easiest way to avoid this risk is to walk away from the cliff, but that may not be an option on this project.
- **Mitigate:** If you cannot avoid the risk, you can mitigate it. This means taking some sort of action that will cause it to do as little damage to your project as possible.
- **Transfer:** One effective way to deal with a risk is to pay someone else to accept it for you. The most common way to do this is to buy insurance.
- **Accept:** When you cannot avoid, mitigate, or transfer a risk, then you have to accept it. But even when you accept a risk, at least you have looked at the alternatives and you know what will happen if it occurs. If you cannot avoid the risk, and there is nothing you can do to reduce its impact, then accepting it is your only choice.

**Allocate two marks for the correct explanation of each of the four risk mitigation strategy:**

- Strategic risk – the risk that the company may fail to achieve its goals, for example as a result of increasing competition. ***Ensure that the company has adequate resources to compete on the market. The company also has to have an in-depth***

***understanding of its customers and be able to satisfy them better than its competitors.***

- Financial risk – the risk of losing money, for example as a result of poor financial controls, under-banking, theft etc: ***Put in place adequate control systems, conduct periodic checks and ensure that employees are properly trained.***
- Reputational risk – having a negative reputation as a result of for example, poor customer service, high employee turnover, employee absenteeism etc: ***Ensure that employees are trained to deliver excellent customer service, motivate and remunerate staff so that you reduce employee turnover and ensure a pleasant working environment.***
- Physical risk – risk of physical harm, for example, customers falling inside the store, fire outbreak etc: ***Ensure that all OHS procedures are followed and that all hazards are properly identified and managed.***
- Compliance risk – the risk of failing to comply with the rules, regulations, procedures, laws etc. ***Provide employees with the relevant training to ensure that they understand all the required procedures, regulations and the laws that they need to adhere to. Provide training and re-training where there is evidence of non-compliance. Also ensure that all policies and procedures are adequately written down and explained to all the employees.***

2.4 Analyse the De Vaal Supermarket case study above and establish any two objectives that the store manager can set out to achieve during the forthcoming promotional season.

**(4 marks)**

**Allocate two marks for each SMART objective identified and explained**

- To increase the store's monthly revenue by 30% during the promotional season.
- To sell all excess stock during the promotional season.
- To ensure that the store has adequate stocks of all products according to the company's operational procedures.
- To increase the store's market share from 20 to 30% for during the three months' promotional season
- By 31 January 2020, increase the store's sales by 15%, by creating innovative in-store offers and promotions

2.5 Since De Vaal Hypermarket is launching a new product range this festive season, using at least two marketing mix elements, propose a marketing strategy for the campaign.

**(8 marks)**

**Allocate one mark for each of the two marketing mix elements identified then allocate three marks for a comprehensive explanation of the proposed strategy for the campaign.**

- Product - The store need to ensure that they have the right products for the promotional season
- Price - The store needs to have an in-depth understanding of its market so that they charge the appropriate prices.
- Place - The store needs to ensure that its supply chain processes are efficient and effective so the right products are available at the right time.
- Promotion - The store needs to ensure that customers are aware of the products and services available for their customers. Promotional activities may include in-store promotions, sales promotions, advertisements, discounts etc
- People - The store needs to ensure that its employees are adequately trained to be able to serve customers and satisfy their needs. The store manager must ensure that the store has adequate personnel to service customers and that the employees have adequate product knowledge.
- Process - The store needs to ensure that the service delivery process is efficient and that customers do not spend a long time in queues or looking for products.
- Physical evidence - The store managers must ensure that they store has an attractive physical environment and atmosphere to afford its customers an unforgettable shopping experience.

The marketing strategies to be proposed may include the following:

- Market penetration
- Market development
- Product development
- Cost leadership
- Differentiation

**(Total Marks for Question 2 = 36)**

**(TOTAL MARKS FOR THE EXAM: 80)**

**MARK ALLOCATION GRID (For use by the Assessor only)**

<b>QUESTION</b>	<b>MARK</b>	<b>MARKS AWARDED</b>
1.1	8	
1.2	8	
1.3	4	
1.4	9	
1.5	15	
<b>TOTAL Q1</b>	<b>44</b>	
2.1	10	
2.2	6	
2.3	8	
2.4	4	
2.5	8	
<b>TOTAL Q2</b>	<b>36</b>	
<b>GRAND TOTAL</b>	<b>80</b>	

**ASSESSOR DETAILS**

<b>ASSESSOR NAME &amp; SURNAME</b>	
<b>REGISTRATION NUMBER</b>	
<b>SIGNATURE</b>	
<b>DATE</b>	

**INTERNAL MODERATOR DETAILS**

<b>MODERATOR NAME &amp; SURNAME</b>	
<b>REGISTRATION NUMBER</b>	
<b>SIGNATURE</b>	
<b>DATE</b>	