

## EXTERNAL INTEGRATED SUMMATIVE ASSESSMENT

### EXEMPLAR 4B - 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)**

T Squared is an upmarket store that sells groceries, cosmetics and clothing accessories targeted at fashion and health conscious consumers. The store has been struggling with stock losses at their store that is located in Umhlanga Rocks.

High losses were recorded during their recent scheduled stock takes. The business has installed a modern security system and cannot understand the high stock losses without any criminal (robberies or break in) activities being recorded. The stock losses are mostly found in the jewellery section on items such as earrings, bracelets and necklaces.

Below is a stock report for T Squared for the period September – December 2018. When presenting the report, the store manager also noted that:

- There is are no frozen prawns in stock because the supplier is also out of stock.
- Coconut oil 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 50 earrings 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 bracelets instead of 150.
- The necklaces are imported from an overseas supplier.
- Fresh fruits are 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.
- Organic juice is ordered from a supplier based in a town that is 2000km away so lead times are high.
- High value items e.g. earrings, bracelets and necklaces are sourced from a supplier who does not have delivery vehicles.

Fast selling items such as fresh produce 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

**T Squared Store: Stock and Sales Report for the period September – December 2018**

<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>
Frozen prawns	300	200	0	500	R10	R5 000	0
Coconut oil	150	150	0	250	R10	R2 500	50
Earrings	400	300	0	650	R100	R65 000	50
Fresh fruits	3000	4000	100	6900	R5	R34 500	100
Organic juice	350	250	0	600	R20	R12 000	0
Soft drinks	2000	3000	0	4700	R10	R47 000	300
Necklaces	350	150	0	420	R200	R84 000	80
Shoes	200	50	40	210	R200	R42 000	40
Bath soap	420	480	100	800	R15	R12 000	100
Bracelets	100	200	0	250	R150	R37 500	50

- *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 necklaces, earrings, bracelets and soft drinks. 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 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 necklaces:

$$\frac{420 * 200}{(350 + 150 - 0) * 100} = \frac{84000}{50000} = 1.68$$

Inventory turnover ratio for earrings:

$$\frac{650 * 100}{(400 + 300 - 0) * 50} = \frac{65\ 000}{35\ 000} = 1.86$$

Inventory turnover ratio for bracelets:

$$\frac{250 * 150}{(100 + 200 - 0) * 75} = \frac{37\ 500}{22\ 500} = 1.67$$

Inventory turnover ratio for soft drinks:

$$\frac{4\ 700 * 10}{(2000 + 3000 - 0) * 5} = \frac{47\ 000}{25\ 000} = 1.88$$

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 are no frozen prawns in stock because the supplier is also out of stock. The store should not rely on one supplier.
- Coconut oil 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 packets of sugar 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 necklaces 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 fruits are 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.
- Organic juice 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. earrings, bracelets and necklaces 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 fresh produce 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 any four of the following products**

- Coconut oil
- Earrings
- Soft drinks
- Necklaces
- Bracelets

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:**

- **Necklaces** – This is a fast moving product and more than 80% of the stock was sold during the period under review. However, shrinkage for this product is high as there is no actual inventory in stock but the records show that there should be 80 necklaces in stock.
- **Fresh fruits** – this product performed exceptionally well as the store managed to sell almost all of the stock.
- **Frozen prawns** – This is a fast moving product and all units were sold and the store is currently out of stock.
- **Organic juice** - This is a fast moving product and all units were sold and the store is currently out of stock.
- **Earrings** – This is a fast moving product and more than 90% of the stock was sold during the period under review. However, shrinkage for this product is high as there is no actual inventory in stock but the records show that there should be 50 necklaces in stock.
- **Soft drinks** - This is a fast moving product and more than 90% of the stock was sold during the period under review. However, shrinkage for this product is high as there is no actual inventory in stock but the records show that there should be 300 soft drinks in stock.

- **Bracelets** - This is a fast moving product and more than 80% of the stock was sold during the period under review. However, shrinkage for this product is high as there is no actual inventory in stock but the records show that there should be 50 bracelets in stock.
- **Bath soap** - This is a fast moving product and the store managed to sell more than 80% of the stock during the period under review.
- **Shoes** - This is a slow moving product and only two units were sold during the period under review.
- **Coconut oil** - This is a fast moving product and all units were sold and the store is currently out of stock.
- **Salt** - This is a slow moving product and only five units were sold during the period under review.
- **Light bulbs** - This is a slow moving product and only one unit was sold during the period under review.

1.5 According to the case study, the retailer is facing supply chain challenges with products such as coconut oil, organic juice, frozen prawns, and soft drinks. 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.**

- **Necklaces** - These are imported from an overseas supplier and are a fast moving product. The store should consider finding a local supplier or alternatively buying in large quantities and stocking the products at the DC.
- **Fresh fruits** – 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 prawns** - there is no frozen prawns 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.
- **Organic juice** – 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.

- **Soft-drinks** – 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.

**(Total Marks for Question 1 = 44)**

## **Question 2**

### **Retail Operations Management**

**(36 Marks)**

Mackay's is a supermarket based in Polokwane. The store employs about 50 employees and Peter Vundla is the Store Manager. For ease of management, the store is divided into five sections which are the shop floor, check-out, receiving, dispatch, and the admin area which also houses the cash office. Sipho is the Manager responsible for the receiving section. According to the company's policies, all goods received must be recorded in the goods received register. However, a recent audit report highlighted a number of missing records of the goods received. Sipho acknowledged this problem but he blamed it on the understaffing in his section. The whole section only has three employees and on many occasions there are more trucks delivering merchandise than there is staff to receive the goods. Peter has also confirmed receiving requests for the employment of additional staff in the receiving section but has steadfastly refused to do so arguing that the staff in that section needs to work over-time.

Kayla is the manager responsible for the check-out area where there are seven till points. Last year there were numerous complaints from customers as a result of the long queue at the till points. Company policy dictates that a customer must not spend more than 10 minutes in a queue. Kayla has managed to send her section staff for customer service training and reorganized the roaster system and the queues have now disappeared. On busy days, she also supports her staff by helping with packing and organising change. She is also available all the time to deal with any requests from the cashiers.

The butchery service falls under the management of Killian who is also the manager for the shop floor section. Recently, the store received a notice from the municipality informing them that the store will have to be shut down if the management does not attend to the leaking waste pipes from the butchery within the next seven days. The municipality argued that the store was contravening municipal by-



laws pertaining to waste disposal, public health and occupational health and safety. When asked about this problem, Killian pointed out that the municipal officials were just over estimating the problem because the waste water from the butchery is not hazardous. Peter is aware of this problem which has been there for the past eight months but he believes Killian's viewpoint and blames the municipality of having a vendetta against the store.

Mackay's Supermarket is about to launch a back to school campaign and Peter is worried that with all the challenges he is facing at the store, the effectiveness of the campaign may be compromised.

2.1 Create checklists to evaluate the operations of the receiving and the shop floor areas of the store.

**(10 marks)**

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

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.

The shop floor checklist should include the following information:

**Opening Checklist**

- Security
  - Check the store for signs of forced entry
  - Check all lighting, surveillance cameras, and alarm systems
- Inventory
  - Ensure shelves are stocked
  - Count inventory and order as needed
  - Verify incoming deliveries
- Products
  - Ensure all products on display are clean, damage free, and up to date
- Store equipment
  - Ensure POS system, cash registers, printers, phones, are functioning properly
- Communication
  - Check work e-mail/websites for the customer and corporate updates

- Cash management
  - Verify previous night's deposits and set up registers
- Marketing
  - Set up displays or boards with the daily sale or upsell items
- Employee management
  - Ensure all employees wear appropriate uniform
  - Plan daily breaks, set up sales or commendation boards
- Facilities
  - Inspect the cleanliness and stock quality/appearance
  - Set room temperature
  - Ensure "open" sign was posted

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, poor customer service etc.
- 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 any four of the risks that you identified in question 2.2 above.

**(8 marks)**

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

- 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.

**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.

2.4 Analyse the Mackay's Supermarket case study above and establish any two objectives that the store manager can set out to achieve during the forthcoming back-to-school campaign.

**(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 Using at least two marketing mix elements, develop and recommend two appropriate marketing strategies that the store can implement in order to achieve the two objectives that you established in question 2.4 above.

**(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)

QUESTION	MARK	MARKS AWARDED
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>	