

Stock Control

Specimen Paper

The specimen examination questions contained in this publication are representative of the type of questions used to assess candidates taking the written examination paper for this qualification.

A marking scheme for each of these questions is towards the end of this document.

The examination paper consists of 10 short-answer questions. Candidates are given 1 hour 30 minutes to complete the paper. Candidates can score a maximum of 4 marks per question. The examination paper is marked out of a total of 40 marks and candidates will need to obtain 20 marks to pass.

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Answer *all* ten questions that follow this scenario

Martin Smith operates five inns under the trading name of Costal Inns. All of Martins inns are located in costal towns in Cornwall. Martin employs managers to run each of the outlets, however he is very active in the running of the inns and visits each one on a weekly basis. In addition to this the managers submit sales reports on a weekly basis.

Despite owning and operating five outlets, Martin is keen that each one of these retains its individuality; he dislikes what he calls the 'homogenisation' of the licensed trade. Martin is a great believer that individuality is a unique selling point and also helps to ensure that each outlet is able to take full advantage of its local trading environment.

Martin feels that each manager should represent value for money for his company and therefore, despite his interest in each outlet, gives each manager a free hand in the running of their inn. This includes deciding what promotions they run, what staff they employ and what dishes to place on their 'Fresh Today' chalkboards, he only insists that each outlet stocks products from a local independent brewery.

Head office is Martin, he employs only close family to help with the day to day administration. Each inn or manager is responsible for its human resource function, ordering and purchasing, stocktaking and legal compliance.

Recently Martin has noticed that there appear to be some issues in two of his outlets following their latest stock reports. The Lobster Pot's food gross profit is less than expected, the Ship's liquor stock result is showing a large surplus for the fourth month running and the Skipper seems to holding a lot of stock. Martin feels he needs to investigate.

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1. Martin is investigating two stock reports that he is unhappy with. Explain the purpose and scope of stock control and stocktaking.

[4 marks]

2. The result Martin is investigating could be as a result of ineffective stock control. Describe the potential impact of on-going ineffective stock control on Martin's business success.

[4 marks]

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3. The Lobster Pot's latest stock report has shown that the food gross profit is less than expected. Identify the typical reasons for profit erosion at the storage, stock rotation and product preparation stage of the stock control journey for food.

[4 marks]

4. Recommend control methods to minimise profit erosion at the ordering and receipt of deliveries stage of the stock control journey for food.

[4 marks]

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5. Explain the relationship between gross margin and deficit and surplus stock results.

[4 marks]

6. Surplus stock results could be the result of poor stock control or could be an indication of a more serious, illegitimate problem, with this in mind identify the sources of information that provide evidence of illegitimate surpluses.

[4 marks]

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7. Martin uses his managers to complete the stock taking process. Explain the benefits to Martins business of employing an external stocktaker.

[4 marks]

8. Explain the way in which stock results can affect strategic decision making for a business.

[4 marks]

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9. Effective stock management is the balance between having the right volume and type of stock to meet customer needs, whilst tying up as little cash as possible. Explain how to calculate the target day's stock holding that could be applied to The Skipper.

[4 marks]

10. Stock control is often described as a management function but each member of staff is equally responsible for maintaining effective stock control. Describe the role and responsibilities of these individual staff members for effective stock control.

[4 marks]

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Marking Scheme

The answers to Questions 1-10 should be covered by the appropriate Assessment Criteria as indicated below. Examiners are instructed to give credit to valid answers.

Question 1

This question assesses Assessment Criteria 1.1 which states:
Explain the purpose and scope of stock control and stocktaking.

Question 2

This question assesses Assessment Criteria 1.2 which states:
Describe the potential impact of effective and ineffective stock control on business.

Question 3

This question assesses Assessment Criteria 2.4 which states:
Identify the typical reasons for profit erosion at each stage of the stock handling process.

Question 4

This question assesses Assessment Criteria 2.5 which states:
Recommend control methods to minimise profit erosion.

Question 5

This question assesses Assessment Criteria 3.2 which states:
Explain the relationship between gross margin and deficit and surplus stock results.

Question 6

This question assesses Assessment Criteria 3.4 which states:
Identify the sources of information that provide evidence of illegitimate surpluses.

Question 7

This question assesses Assessment Criteria 4.1 which states:
Explain the factors to be considered during the review and selection of an external stocktaker.

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Question 8

This question assesses Assessment Criteria 4.3 which states:

Explain the way in which stock results can affect strategic decision making for a business.

Question 9

This question assesses Assessment Criteria 5.5 which states:

Calculate the target day's stock holding for a business.

Question 10

This question assesses Assessment Criteria 5.6 which states:

Describe the role and responsibilities of individual staff members for effective stock control.