The Management University of Africa

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# POST GRADUATE UNIVERSITY EXAMINATIONS

## SCHOOL OF MANAGEMENT AND LEADERSHIP

## DEGREE OF MASTER OF BUSINESS ADMINISTRATION

**LSO 501: LOGISTICS AND SUPPLY CHAIN MANAGEMENT**

**DATE: 29TH JULY 2026**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 60**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow**

**AN EFFICIENT LOGISTICS SERVICE**

An efficient logistics service is vital to world trade. Customs clearing agents and freight forwarders are a critical intermediary in the global supply chain. They are intermediaries between customs, the owners of goods, shipping companies, warehouse operators and transporters among other stakeholders. Regulation of the logistics service industry is characterised by many endogenous features, such as political priorities of the government of the day, legacies from historical times, cultural norms and the multi-sectoral nature which is not transparent. These features are difficult to consolidate thus there exist no simple model brought forward to regulate logistical matters across countries. In the logistics service industry, regulation of trucking business licence is done by the ministry of transport but still the operator needs a confirmation from the customs for them to comply with regulations and have a bonded warehouse licence.

The World Bank report reveals that a weak regulatory framework has brought about the inefficiencies faced by most clients in the logistics and transport sector. In the East African Community for instance, the logistics service industry has been characterised by lack of enough regulatory assessment, incompetent skilled operators entering the industry with limited professional qualification, quality and efficiency in service provision. Logistics facilities have been known for being the strength of many sectors including the economy. It usually involves many industries, these includes all services that touch on transport, warehousing, packaging and even 2 distributions. The logistics service industry is crucial to the success of the agricultural and manufacturing sectors. Looking at the supply chain, numerous intermediaries get involved in the logistical process and they include agents to do clearance and truckers for transportation purposes.

Despite that, in developing countries, regulations to cater for logistics provision of services are not well illustrated as the framework to regulate the industry is vague. National member states in Europe will adhere to the EU legislation and that any differences arising from the legal and formal requirements by the customs brokers are to be met by the member states in question and the principle of subsidiary of the EU, they will be subject to the legislation of the Member states. Some member states in EU have it that the customs broker profession is regulated by the state and entry into the industry requires registration as a prerequisite for practising. France introduced a requirement that customs brokers must be registered in advance and they have to fulfil certain conditions including customs expertise criteria. In other countries such as Germany, no such restrictions exist. This 3 has meant that for a customs broker to conduct his or her functions in the community there are several requirements that need to be met at the same time, the process of standardizing the custom service profession and ensuring some level of competence is on-going.

The Economic Pillar as set out in the Vision 2030 remains pivotal to the attainment of county's goal of 10% Gross Domestic Product (GDP) growth. Critically, the Economic Pillar considers manufacturing as a great sector among the six priority areas which jointly account for 57% of the country's GDP. However, according to the Vision 2030, the greatest challenge to the manufacturing industry in Kenya is the inefficient flow of goods and services compounded by challenges experienced in logistical and local transport section. Furthermore, the government of Kenya announced its plans to focus on four priority areas dubbed "the Big 4 Four Agenda" one of which is enhancing manufacturing to catapult GDP growth from 9.2% to 20% by 2022. As identified by Kenya Vision 2030, one of the challenges in the manufacturing industry is that goods and services flow inefficiently thus hindering manufacturers‟ competitiveness at the market globally and regionally. The Kenya Association of Manufacturers (KAM) identifies logistics as a cross-cutting challenge in the Textile and Apparel Sector; Timber, Wood and Furniture Sector; Energy, Electrical and Electronics

Sector; Chemical and Allied Sector and the Small and Medium Enterprise Sector (KAM, 2018). The overall objective of the Study is to critically analyse the regulatory environment of the clearing and forwarding industry and evaluate the effects self-regulation would have on the industry if taken up as an alternative. Logistics service industry reaching smooth operations not only reduces the cost of import but is also crucial to ensure that the goods and services reach the global market. Different dimensions are involved in improving logistics and these include: improvement of logistics capabilities, the rehabilitation and development of the physical infrastructure, and having the streamlined events related to trade. As noted in the World Bank Study, the main obstacles for transport operators are: limited space at the container terminal; flow of procedures and documentation; organization of transit cargo and procedures; and implementation of logistic policies.

Those challenges in addition to weak enforcement mechanisms still subsist unabated within the industry. Private sector is capable of delivering up to quality standard logistics services and come out to be known at national, regional and global as the regulatory fragmentation of 5 logistics supply chain is handled by the governments and progress to be able to access strategic infrastructural facilities. Although studies such as those documented by the World Bank, document the challenges in the logistics services industry, the proposals forwarded to address these challenges centre on improvement of infrastructure and simplification of procedural complexities. There is however, limited material documenting the effect of the regulatory framework with regard to improving service delivery within the industry. This study, amongst other objectives, aims at highlighting how changes to the regulatory framework could play a significant part in achieving not only the Big Four Agenda, but also a timely delivery of the Vision 2030.

**Required:**

a) In reference to the case study, explain the main obstacles for transport operators **(10 Marks)**

b) Kenya Association of Manufacturers (KAM) identifies logistics as a cross-cutting challenge in various sectors. Highlight the sectors affected by logistical challenges

**(10 Marks)**

c) With reference to the case study, different dimensions are involved in improving logistics. Describe the different dimensions that are involved in improving logistics.

**(10 Marks)**

**QUESTION TWO**

**a)** Containerization has the basic objective of increasing handling and transport efficiency. Explain the Benefits of Rigid Containerization. **(10 marks)**

a) Unitization is the process of grouping master cartons into one physical unit for materials handling or transport. Discuss the benefits of unitization. **(5 marks)**

**QUESTION THREE**

a) The foundation for developing a successful channel arrangement rest in fully understanding the underlying economics of distribution. Explain the eeconomic functions in logistics and supply chain. **(10 marks)**

b) Evaluate the factors that should be considered when selecting potential third-party logistics contractors and drivers for third party logistics (3PL). **(5 marks)**

## QUESTION FOUR

a) A food processing firm is contemplating to manufacture product X. The annual demand is 24,000 Units, the cost of ordering is Kshs. 19, the unit cost per item is Kshs. 50, and the cost of storage is 20%.

**Required:**

i) Determine the right quantity to order
ii) Calculate the number of orders
iii) Determine the total cost

**(10 marks)**

**b)** Explain the potential areas of measuring logistics performance. **(5 marks)**