BUS.OP7 Choosing and Evaluating Suppliers: Selection Criteria and Sourcing

AQA 8132 · Calculators not allowed · about 40 minutes

Total Marks

Name: ______________________________ Date: ____ / ____ / ______

Answer ALL questions in the spaces provided. Show your working where asked. The scenario about Noah's Bakery is fictional and used only for these questions.

1 Noah's Bakery is choosing a flour supplier. Which one of the following is an example of a supplier selection criterion related to cost?

- ☐ A) Delivery reliability
- ☐ B) Price per kilogram
- ☐ C) Ethical sourcing certification
- ☐ D) Number of product varieties offered

(Total for Question 1 is 1 mark)

2 Noah's Bakery receives a sample pack from Supplier A and Supplier B. Which one of the following is a quality-related criterion Noah should consider when comparing the samples?

- ☐ A) 30 day payment terms
- ☐ B) Supplier's factory distance in km
- ☐ C) Consistency of flour grade
- ☐ D) Discount for bulk orders

(Total for Question 2 is 1 mark)

3 Scenario detail: Noah's Bakery needs 300 kg of strong white flour each month. Supplier A offers flour at 0.45 pounds per kg, delivery in 3 days, and a 2% discount for orders over 500 kg. Supplier B offers flour at 0.48 pounds per kg, delivery in 1 day, and a 30 day payment term. Identify which selection criterion is illustrated by '3 days delivery' in this scenario and explain its relevance briefly.

(Total for Question 3 is 2 marks)

4 Identify whether the following sourcing approach is single sourcing or multiple sourcing: Noah considers using only Supplier B for flour because B can deliver in 1 day and offers 30 day payment terms, while Noah would still order from other suppliers if Supplier B failed.

(Total for Question 4 is 2 marks)

---

5 State one ethical or environmental selection criterion Noah might use when choosing a flour supplier for Noah's Bakery.

(Total for Question 5 is 1 mark)

---

6 Explain one reason why the payment terms offered by a supplier, such as Supplier B's 30 day payment term, are important to Noah's Bakery's cash flow in this supplier selection context.

(Total for Question 6 is 3 marks)

---

7 Using the scenario figures, explain why the quality of flour (for example consistent flour grade) is an important selection criterion for Noah's Bakery. Use the context of Noah's Bakery in your answer.

(Total for Question 7 is 4 marks)

8 Using the scenario figures, explain why price per kilogram is an important selection criterion for Noah's Bakery when comparing Supplier A at 0.45 pounds/kg and Supplier B at 0.48 pounds/kg. Apply to the bakery's monthly needs.

(Total for Question 8 is 4 marks)

---

9 Which one of the following best describes multiple sourcing as a supplier approach for Noah's Bakery?

- ☐ A) Relying on a single supplier for all of one ingredient
- ☐ B) Using several suppliers so that risk is spread
- ☐ C) Buying only from suppliers that offer the lowest price
- ☐ D) Signing an exclusive long-term contract with one supplier

(Total for Question 9 is 1 mark)

---

10 Identify one advantage of single sourcing for Noah's Bakery if it chose Supplier B exclusively because of fast delivery and favourable payment terms.

(Total for Question 10 is 2 marks)

---

11 Identify one advantage of multiple sourcing for Noah's Bakery, given the risk that a single supplier might fail to deliver.

(Total for Question 11 is 2 marks)

---

12 Using the scenario figures, calculate how much more Noah's Bakery would pay each month if it bought 300 kg of flour from Supplier B at 0.48 pounds/kg instead of Supplier A at 0.45 pounds/kg. Show your working.

(Total for Question 12 is 2 marks)

13 Calculate the annual cost for Noah's Bakery of buying 300 kg per month for a year (12 months) from Supplier A at 0.45 pounds/kg and from Supplier B at 0.48 pounds/kg, then state the annual difference. Show your working.

(Total for Question 13 is 3 marks)

---

14 Noah must decide whether to use Supplier A (cheaper at 0.45 pounds/kg but 3 day delivery and a discount only for very large orders) or Supplier B (more expensive at 0.48 pounds/kg but 1 day delivery and 30 day payment terms). Recommend which supplier, or which sourcing approach (single sourcing or multiple sourcing), Noah should choose for his bakery. Justify your answer using the scenario figures and consider the trade-offs between cost, quality, delivery speed, payment terms and risk.

(Total for Question 14 is 9 marks)

Mark scheme · BUS.OP7 Choosing and Evaluating Suppliers: Selection Criteria and Sourcing

Question 1

- **B1** B cao
- **Answer: B**

Question 2

- **B1** C cao
- **Answer: C**

Question 3

- **B1** identifies 'speed of delivery' or 'lead time' as the criterion
- **B1** links it to supplier performance in the scenario, e.g. delivery speed affects stock availability
- **Answer: Speed of delivery, also called lead time; it affects how quickly Noah's Bakery gets flour and so its stock availability.**

Question 4

- **B1** identifies multiple sourcing or single sourcing correctly
- **B1** brief justification linking to the scenario, e.g. using only B would be single sourcing, keeping others as backups is multiple sourcing
- **Answer: This describes intending to use Supplier B but keeping others as backups, which is multiple sourcing because Noah would not be reliant on a single supplier and would use more than one if needed.**

Question 5

- **B1** any one ethical/environmental criterion, e.g. Fairtrade certification, low-carbon transport, sustainable farming
- **Answer: For example, whether the supplier uses sustainably grown wheat or has Fairtrade certification.**

Question 6

- **B1** identifies a reason, e.g. longer payment terms delay cash outflow
- **B1** develops the reason, e.g. Noah can hold cash longer before paying suppliers
- **B1** links to an outcome, e.g. this gives Noah more time to sell baked goods and collect cash, easing short-term cash flow pressure
- **Answer: Longer payment terms delay when cash leaves the business, so Noah can keep the cash for longer before paying suppliers. This gives more time to sell baked goods and collect money from customers, easing short-term cash flow pressure.**

Question 7

- **B1** identifies a quality reason, e.g. consistent flour grade ensures consistent product
- **B1** develops why consistency matters, e.g. consistent dough behaviour and baking results
- **B1** applies to Noah's Bakery, e.g. consistent loaves and pastries protect the bakery's reputation
- **B1** links to a business outcome, e.g. fewer waste items, fewer customer complaints, and stable revenue
- **Answer: Consistent flour grade ensures consistent dough behaviour and baking results, which is crucial for Noah's Bakery to produce uniform loaves and pastries. This protects the bakery's reputation, reduces waste and customer complaints, and helps maintain stable sales and revenue.**

Question 8

- **B1** identifies that lower price reduces variable cost per kg
- **B1** develops the point with monthly application, e.g. at 300 kg per month the cost difference matters
- **B1** applies the numbers, e.g. shows how monthly cost is affected
- **B1** links to business outcome, e.g. lower costs increase margin or allow more competitive pricing
- **Answer: A lower price per kg reduces the bakery's variable cost. For Noah's Bakery, buying 300 kg per month at 0.45 pounds/kg rather than 0.48 pounds/kg lowers monthly input costs, increasing profit margin or allowing more competitive product pricing. Over time this improves profitability and cash flow.**

Question 9

- **B1** B cao
- **Answer: B**

Question 10

- **B1** identifies an advantage, e.g. stronger relationship with supplier or bulk discounts
- **B1** briefly links it to the scenario, e.g. faster deliveries or better credit may be negotiated
- **Answer: For example, single sourcing can create a stronger relationship so Noah could negotiate even better delivery arrangements or longer payment terms with Supplier B.**

Question 11

- **B1** identifies an advantage, e.g. reduced risk of supply disruption
- **B1** briefly links it to the scenario, e.g. other suppliers can cover shortfalls if one fails
- **Answer: Multiple sourcing reduces the risk of disruption, because if one supplier fails to deliver Noah can order from another supplier to maintain flour supply.**

Question 12

- **M1** calculates monthly cost for one supplier and the other or calculates difference, e.g. (300 x 0.48) and (300 x 0.45) seen
- **A1** 9 pounds cao
- **Answer: 300 x 0.48 = 144.00 pounds; 300 x 0.45 = 135.00 pounds; difference = 9.00 pounds, so Supplier B costs 9.00 pounds more per month.**

Question 13

- **M1** calculates annual quantity 300 x 12 = 3,600 kg or equivalent seen
- **M1** calculates annual cost for one supplier and the other, e.g. 3,600 x 0.45 and 3,600 x 0.48 seen
- **A1** 108 pounds cao difference stated correctly
- **Answer: Annual quantity = 300 x 12 = 3,600 kg. Supplier A: 3,600 x 0.45 = 1,620.00 pounds. Supplier B: 3,600 x 0.48 = 1,728.00 pounds. Difference = 1,728.00 - 1,620.00 = 108.00 pounds per year.**

Question 14

- **Level 1** (1-3): Makes simple, undeveloped comments about the suppliers or sourcing options, with little or no use of the scenario figures and no clear recommendation.
- **Level 2** (4-6): Gives a developed argument for one option, using some of the scenario figures, but does not fully weigh both sides or reach a clearly supported recommendation.
- **Level 3** (7-9): Weighs the evidence for and against choosing Supplier A, Supplier B or a multiple sourcing approach, uses the scenario figures (monthly and annual cost differences, delivery times and payment terms), and reaches a justified recommendation supported by that analysis.
- **Indicative content:**
  - Apply the costs: Supplier A costs 0.45 pounds/kg and Supplier B 0.48 pounds/kg, so at 300 kg per month Supplier A saves 9.00 pounds per month or 108.00 pounds per year compared with Supplier B.
  - Consider delivery speed: Supplier B delivers in 1 day and Supplier A in 3 days, so B reduces lead time and lowers the risk of running low on stock, which may be important for daily bakery production.
  - Consider payment terms and cash flow: Supplier B offers 30 day payment terms which delay cash outflow, easing short-term cash flow; Supplier A does not offer similar terms in the scenario.
  - Consider risk and sourcing approach: single sourcing with B could secure fast delivery and credit terms but creates dependence on one supplier; multiple sourcing spreads risk so that if B fails Noah can buy from A or another supplier.
  - Weigh trade-offs: the annual cost saving from A is modest (108.00 pounds) compared with the operational benefits of faster delivery and credit from B, but reliance solely on B increases disruption risk.
  - Possible justified recommendations: choose multiple sourcing using B as primary for fast delivery and credit, and A as backup to capture lower prices when needed, or choose B alone if fast delivery and improved cash flow are critical and Noah can accept increased supplier dependence.
  - Final judgement should state a clear choice and justify it using the figures, for example recommending multiple sourcing with B as main supplier to balance lower risk and operational benefits while still having access to A's lower price when useful.