



# MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

THIRD YEAR SPECIAL/ SUPPLEMENTARY EXAMINATION FOR  
BACHELOR OF COMMERCE

BMS 318: PRINCIPLES OF PROCUREMENT MANAGEMENT

DATE:

TIME:

---

## INSTRUCTIONS:

Answer Question ONE and any other TWO Questions.

### QUESTION ONE (30 MARKS)

#### Promade Agencies (PROAG)

Promade Agencies is private company specialized in buying, distributing and retailing a variety of products. Some of the items it deals in include household capital equipment. Others include the operational supplies like stationery, printing, products as well as other small value items. However, there are specialist technical experts buying I.T. building items which have been centralized.

The Procurement Manager, Ali Juma has been employed for about ten months. Ali Juma was summoned by the General Manager who gave him the following briefs regarding as to why his predecessor was dismissed. Some of the General Manager's dissatisfaction was:

- Frequent staff absence
- Very many invoices received per week
- Value of invoices too trivial
- Many purchase orders placed per month
- Purchase orders value placed to trivial

Ali Juma was told not to sleep on the job as his predecessor. He was told that the change was required immediately. The General Manager concluded by telling Juma that the board will not hesitate sacking everybody in that department if they cannot practically demonstrate its added value to Promade Agencies. Juma was given one month to present his report to the board on the changes he has put in place.

#### Required:

- a) Outline the different approaches Juma would employ to buy operational supplies (10 marks)

- b) Explain the information Juma would present to the board on the purchasing practices to be implemented to reduce the problems highlighted in the case. (10 marks)
- c) Highlight the elements of cost which may comprise the ordering costs for materials in an organization. (10 marks)

**QUESTION TWO (20 MARKS)**

- a) Highlight the responsibilities of the purchasing team in the planning of procurement for an organization. (10 marks)
- b) As part of an evaluation committee for the performance of existing suppliers in your organization, describe the criteria that you would use to undertake the exercise. (10 marks)

**QUESTION THREE (20 MARKS)**

- a) Highlight the areas in which ICT can be applied within the warehousing function of an organization (10 marks)
- b) Discuss the issues that should be considered when entering into negotiations for procurement from a legal perspective. (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) Your organization is in the process of acquiring a fork lift. Discuss the benefits that would accrue to the organization from using leasing method for the acquisition. (10 marks)
- b) You have been charged with the responsibility of developing an ethical code of conduct for your procurement staff. Explain the issues that should be reflected in the code. (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) It is increasingly getting important for organizations to embrace green practices. Discuss the ways in which a procurement officer can support this trend during sourcing stage of procurement. (10 marks)
- b) As a procurement officer, explain how you would handle an offer of hospitality from a supplier so as to ensure ethical conduct. (10 marks)