



# **MACHAKOS UNIVERSITY**

**University Examinations for 2022/2023 Academic Year**

**SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM**

**MANAGEMENT**

**DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE**

**THIRD YEAR ..... SEMESTER EXAMINATION FOR  
BACHELOR OF COMMERCE (PROCUREMENT OPTION)**

**BMS 322: GENERATION OF REQUIREMENTS**

**DATE:**

**TIME:**

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**Instructions: Attempt Question ONE and any other TWO question**

## **WAPEZI CONSTRUCTION LTD CASE**

Wapezi Construction Ltd got a contract to construct Sabaki Dam at a cost of Kenya shillings 20 billion. After signing the contract and receiving mobilization fee of Kenya shillings 1 Billion, being 5% of the contract sum, the company realized that they require additional earth mover which can work in rough terrain. After deliberation, the management agreed that they needed five of them. Subsequently, the MD made a request to the board and the board immediately gave the approval for the MD to implement. The MD summoned the procurement manager and instructed him to source the five earth movers under restricted tendering given the time but should work directly with him. The procurement manager went directly to the internet to search for the possible vendors for the equipment. He landed on one in China and printed the catalogue which he promptly shared with the MD, a very qualify manager having been to prestigious universities in America for undergraduate and graduate studies. Since the procurement manager is not in good working terms with the operation manager, he did not bother to consult him. The MD promptly approved the purchase and which was duly placed and all the necessary procurement documentations worked on. After one month, the earth movers were safely delivered, assembled, signed off and paid for as per the terms of the purchase. After one week from the date of delivery, the machines were taken to site but failed to perform due to their low power. "What a waste!" uttered by the operation manger.

**Required:**

- a) Explain FIVE procurement gaps that are identifiable from the case above (10 marks)
- b) Explain **five** benefits that Wapezi would derive from engaging in Early Supplier Involvement (ESI) (10 marks)
- c) Explain any **five** features of a good specification in which the procurement staff in the above case should uphold. (10 marks)

**QUESTION TWO (20 MARKS)**

- a) State **five** objectives of requirement determination that a construction firm may set for its operations. (10 marks)
- b) Discuss **five** roles that a procurement department in a manufacturing organisation may perform in regard to requirement determination. (10 marks)

**QUESTION THREE (20 MARKS)**

- a) Explain **five** items whose quality could best be specified using grades of specification (10 marks)
- b) Discuss five benefits of procurement planning that may accrue to an institution of higher learning (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) A number of users are struggling to communicate their material needs effectively. As a procurement officer with vast knowledge on matters of procurement, explain to them any **five** methods of communicating material needs with potential of giving effective results (10 marks)
- b) Discuss five challenges that an organisation may face while implementing an outsourcing policy for its services. (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) Discuss **five** reasons for the application of Total Acquisition Cost concept in the procurement decision for retail supplies (10 marks)
- b) Explain **five** determinants for the adoption of buy policy in a textile firm. (10 marks)