



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

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

BMS 322: GENERATION OF REQUIREMENTS

DATE: 24/4/2019

TIME: 2:00 – 4:00 PM

INSTRUCTIONS: Attempt Question ONE and any other TWO question

QUESTION ONE (COMPULSORY) (30 MARKS)

KNOWING YOU DON'T KNOW TOO LATE: MULLEY CONSTRUCTION LTD CASE

Mulley Construction Ltd got a contract to construct Kamwere 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 need 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 and 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 who is a professional manager, holding MBA from one of the prestigious university in America. 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 the order was duly placed and all logistical arrangement worked on. After one month, the earth movers were safely delivered and assembled and signed off and paid for as per the terms of the contract. After one week, the machines were delivered to site but failed to perform due to their low power. "What a waste!" uttered by the operation manager.

Required:

- a) Discuss **five** procurement gaps in the case with emphasis on the generation of requirement concept. (10 marks)
- b) In your opinion, do you think early vendor involvement would have given a different performance result? Support your answer with well explained **four** points (10 marks)
- c) Explain any **three** elements of a good specification in procurement process which are missing in the case (6 marks)
- d) Discuss **two** possible solution to the issue in the case (4 marks)

QUESTION TWO (20 MARKS)

- a) State **five** objectives of requirement determination to an engineering firm based in Machakos town . (10 marks)
- b) Discuss **five** roles of procurement department on requirement determination in a construction industry in Kenya (10 marks)

QUESTION THREE (20 MARKS)

- a) Explain **five** methods of specifying a product in a manufacturing industry (10 marks)
- b) Discuss five advantages of out sourcing in 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 procurement, explain to them any **five** methods of communicating material needs with potential of giving effective results (10 marks)
- b) Explain **five** advantages of procurement plan in public entity (10 marks)

QUESTION FIVE (20 MARKS)

- a) Discuss **five** challenges retail firms face in applying Total Acquisition Cost concept in procurement decision. (10 marks)
- b) Explain **five** Factors affecting make or buy decisions in textile industry in Athi River (10 marks)