



MACHAKOS UNIVERSITY

University Examinations for 2022/2023 Academic Year

SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM

MANAGEMENT

DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE

**FOURTH YEAR SECOND SEMESTER EXAMINATION FOR
BACHELOR OF COMMERCE (PROCUREMENT AND SUPPLY CHAIN
MANAGEMENT OPTION)**

BMS427: INTERNATIONAL PURCHASING

DATE:

TIME:

INSTRUCTIONS

Answer Question One and Any Other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

Read the case study below and Answer ALL Questions that follow.

The firm, a European manufacturer of ready-made garments, is marketing the products in American markets. It has Hong Kong –based local coordination offices to look into the movement of the inventory. The initial conceptualization and design of the garments is done in Hong Kong. The cotton yarn is brought from Korea and dye and woven in Taiwan. Japaneszippers are sourced from a factory located in China. Finally, all these components are shipped to

Thailand where a consignment of 50,000 garments is split into five batches of 10,000 each for further processing in five separate factories. The ready-made garment may bear a” made in Thailand label, “which does not reflect the reality. The entire consignment will then reach Hong Kong where the final inspection and packaging will be done. The final inspection and

packaging will be done. The final product will reach the destination in five weeks' time. Similar networks are also in operations for product like Barbie dolls and entrainment electronics.

- a) Identify the business concept being described in the case above (2 marks)
- b) With supportive evidence discuss the advantages of this type of business model (8 marks)
- c) With reasons explain the challenges that are experienced by the time garments are ready in the case above (10 marks)
- d) Identify five INCOTERMS 2020 that are applicable in the movement of components required in making of garments and show the point at which they are applicable in the business described above. (10 marks)

QUESTION TWO

- a) you have been tasked to draw up a specification for your organizational requirements being imported from China. Explain the main distinctions of such a specification with one from local market. (10 marks)
- b) Describe the trends in global procurement that should be of concern to international procurement officer. (10 marks)

QUESTION THREE (20 MARKS)

- a) Discuss the reasons that may contribute to the growth of producer cartels in international purchasing. (10 marks)
- b) You have been tasked to Design a risk register for international procurement for your organization. Highlight the economic related risks in such a register. (10 marks)

QUESTION FOUR

- a) Giving examples, describe how Documentary credit works as a form of payment for international procurement. (10 marks)
- b) Evaluate the common clauses that should be incorporated in a contract of importation (10 marks)

QUESTION FIVE (20 MARKS)

- a) You are in the process of incorporating a fish processing and exporting plant in Kenya. Explain the various regulatory requirements you may need to comply to. (10 marks)

- b) There has been a debate for institutions in the health sector to import medical supplies without the involvement of Kenya Medical Supplies Agency (KEMSA). Evaluate five reasons against such a move. (10 marks)