

MACHAKOS UNIVERSITY
SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF BUSINESS ADMINISTRATION
B.COM (PROCUREMENT AND SUPPLY CHAIN MANAGEMENT OPTION) THIRD YEAR FIRST
SEMESTER EXAMINATION
BMS 318: PRINCIPLES OF PROCUREMENT MANAGEMENT

Instructions:

- **Cheating is highly discouraged**
- **Attempt Question one which is compulsory and then choose two other questions of your choice.**
- **In case of an examination irregularity, the MksU examination policy shall be applied.**

QUESTION ONE

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

- 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

- 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

- 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

- 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

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QUESTION ONE

INTERNATIONAL MINING COMPANY OF AFRICA

The International Mining Company (IMC) is engaged in many countries in Africa undergoing deep mining of precious metals. There is a decentralized engineering function and procurement function located in each country of operation. One of the countries is Rwanda. A need has been identified for the design, preparation of detailed drawings, manufacture, supply, and delivery to site, installation and commissioning of vacuum pilot plant with a capacity of a 500 tons per day. This will be a pilot plant in Rwanda, offering the design potential to increase the capacity to 800 tons per day. A decision has been made to single source this need from a Kenyan company. Negotiations have been underway with the Kenyan company, for in excess of four months so as to agree on the terms and conditions that shall govern the business. Procurement department issued the tender, engaged in its evaluation and with the necessary approach, placed a contract. The agreed completion date is 18 months from the date of the contract.

Required:

- a) From the case study, negotiations have been underway with the Kenyan company, for in excess of four months. Discuss the key areas where agreement has to be reached. (10 marks)
- b) Explain the limitations that IMC might experience as a result of single sourcing from a Kenyan company (10 marks)
- c) Evaluate the benefits of the devolved procurement structure that IMC has adopted. (10 marks)

QUESTION TWO

- a) Explain the low cost methods that an organization can use to purchase small value items. (10 marks)
- b) Purchasing is a key activity for using Activity Based Costing (ABC). Identify the areas where ABC is applicable in purchasing. (10 marks)

QUESTION THREE

- a) Quality is the totality of features and characteristics of a product that bears on the ability to satisfy stated or implied needs. Discuss how specifications writing are paramount for quality attainment. (10 marks)
- b) Assess the contribution of Purchasing and Supply chain management function to organizational competitiveness (10 marks)

QUESTION FOUR

- a) Identify the drivers for green procurement among organizations in Kenya (10 marks)
- b) Discuss the understanding that a procurement officer should have of conflict of interest as an ethical principle. (10 marks)

QUESTION FIVE

- a) Explain at least five applications of bar codes in purchasing in purchasing (10 marks)
- b) Identify the factors that a procurement department should consider during evaluation exercise of the tenders (10 marks)