



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BMS 322: GENERATION OF REQUIREMENTS

DATE:

TIME:

INSTRUCTIONS:

Answer Question one and any other two Questions.

QUESTION ONE (30 MARKS)

KNOWING YOU DON'T KNOW TOO LATE: 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 qualified 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 manager.

Required:

- a) Discuss **five** procurement gaps related to generation of requirement in the case (10 marks)
- b) In your opinion, do you think involvement of production manager (the user) would have given a different performance result? Support your answer with well explained **four** points (10 marks)
- c) Explain any **three** basic features of a professional specification in procurement process which are missing in the case (6 marks)
- d) Discuss **two** disadvantages of restricted tendering as used in the case (4 marks)

QUESTION TWO (20 MARKS)

- a) Explain **five** purposes of requirement determination to an engineering firm based in Machakos town (10 marks)
- b) Discuss **five** responsibilities of procurement department on determination of requirement in the retail industry in Kenya (10 marks)

QUESTION THREE (20 MARKS)

- a) Explain **five** factors an organization working under EPZ should consider when deciding to make or to buy a given product (10 marks)
- b) Discuss five disadvantages of out sourcing in an institution of higher learning (10 marks)

QUESTION FOUR (20 MARKS)

- a) Identify and explain **four** methods of communicating material needs to procurement department by the users (10 marks)
- b) Explain **five** features of a good procurement plan in private entity (10 marks)

QUESTION FIVE (20 MARKS)

- a) Discuss **five** advantages of Total Acquisition Cost concept in procurement decisions (10 marks)
- b) Explain five advantages of **standardization** and **variety reduction** principle of determination of requirements in the manufacturing industry (10 marks)