

Principles of Purchasing

Final Exam

Instructions:

1. Answer question **ONE (Compulsory)** and any other **TWO** questions.
2. Total Marks = **60**
3. Plagiarized work will be penalized as laid out in the students' academic handbook.
4. You can successfully complete this Exam in 2 hours.
5. Ensure you have **sufficient time to submit the Exam** before the expiry of the 2 hours. It will be safer for you to submit 15 minutes before the expiry of the 2 hours.
6. You can submit either a pdf or MS Word document.
7. To save time, you can download the document and proceed to type the **solutions**.
8. In case you type in a different word document, do not **RETYPE** the Question. Ensure you label the solutions to each Question clearly.
9. **YOU WILL NOT BE ADDED TIME. Submit what you will have typed before the expiry of 2 hours.**
10. Ensure that you have **ATTACHED THE FILE BEFORE** login out.
11. Time Allowed: Two Hours

Question One: Case Study (Compulsory)

Read the following case study and answer questions that follow:

Makezi Industries Ltd.

Makezi Industries Limited situated along the busy Tom Mboya Road, distributes their various products through 34 branches scattered across the country. To effectively meet its customer's needs in the branches, the company has centralized its procurement function at the headquarters. Last year, the company handled over one million items including caterpillars, tractors, computers and drugs among other items. 89% of the items distributed cost between One Hundred and twenty and two hundred and fifty thousand shillings and the frequency of requisition by the branches makes procurement and distribution quite expensive to the organization.

The procurement manager, Mr. Obama is planning to come with strict regulations to limit rush orders from the branches, as has been the habit of branch managers to use red stickers indicating emergency in most cases. The clerks in the department have been suspected of colluding with suppliers to reap off the company by accepting higher bids than the competitors. This is also evident for prices of small items such as stationery and toiletries. Mr. Obama defended his staff and explained that the problem was due to lack of adequate time for preparing for negotiations. In future the company intends to hire the services of consultants to improve operations in procurement.

Questions:

- a) Suggest any **Five** ethical principles that should be adopted by Makezi Industries to improve the ethical perception of the organization. **(10 marks)**
- b) Examine the factors which Mr. Obama could put into a practice when determining the best procurement methods **(5 marks)**

- c) Other than use of consultants, Makezi Industries may opt to outsource some of its services. Identify and briefly illustrate the criteria they may adopt to identify activities that should be outsourced. **(5 marks)**
- d) Propose any five factors which Makezi Industries should put into consideration when selecting suppliers. **(5 Marks)**

Question Two

- a) Explain the procurement process in the context of public procurement. **(7 marks)**
- b) During the procurement process different documents are used. Demonstrate any five document which are used during the procurement process. **(4 marks)**
- c) Illustrate any **four** factors that could lead an organization to settle for direct procurement. **(4 marks)**

Question Three

Globalization has pushed the supply chain to go global as well.

- a) Explain four challenges of international purchasing. **(8 Marks)**
- b) Argue any five things the negotiator should negotiate for during procurement process. **(7 Marks)**

Question Four

Technology has found its way into the supply chain operation in the modern organizations.

- a) With the help of a suitable example, elaborate on how technology is applied in different supply chain elements. **(8 marks)**
- b) Explain any five emerging issues in Procurement in current space. **(7 marks)**