

## **Principles of purchasing**

### **Marking Scheme**

#### **Question One**

##### **a) Ethical principles to improve perception (10 marks)**

1. **Integrity** - Upholding honesty in all procurement dealings.
2. **Transparency** - Ensuring open processes to avoid favoritism.
3. **Accountability** - Taking responsibility for procurement decisions.
4. **Fairness** - Equal treatment of suppliers in bid evaluations.
5. **Avoiding Conflicts of Interest** - Ensuring staff aren't influenced by personal gain.

##### **b) Factors in selecting procurement methods (5 marks)**

1. **Urgency** - Choosing methods based on delivery speed.
2. **Budget** - Selecting cost-effective procurement techniques.
3. **Supplier Reliability** - Prioritizing trusted suppliers.
4. **Complexity of Products** - Adapting methods to technical specifications.
5. **Regulatory Requirements** - Following legal guidelines.

##### **c) Criteria for outsourcing activities (5 marks)**

1. **Cost-Benefit Analysis** - Comparing costs to benefits.
2. **Core vs. Non-Core Activities** - Outsourcing non-essential functions.
3. **Resource Availability** - Considering internal resource constraints.
4. **Quality Requirements** - Ensuring high standards are met externally.
5. **Control Needs** - Deciding based on the need for control over activities.

##### **d) Factors for supplier selection (5 marks)**

1. **Quality Assurance** - Supplier's ability to meet quality standards.
2. **Delivery Timeliness** - Reliability in meeting timelines.
3. **Cost Competitiveness** - Supplier's pricing relative to competitors.
4. **Reputation and Reliability** - Supplier's industry standing.
5. **Support and Service** - Post-purchase support availability.

## Question Two

### a) Procurement process in public procurement (7 marks)

1. **Needs Identification** - Determining what is required.
2. **Market Research** - Analyzing potential suppliers.
3. **Bidding and Tendering** - Formal bid invitation process.
4. **Evaluation and Selection** - Comparing bids against criteria.
5. **Contract Awarding** - Finalizing with selected supplier.
6. **Delivery and Inspection** - Receiving and verifying goods.
7. **Payment and Record Keeping** - Completing payment and documenting.

### b) Documents used in the procurement process (4 marks)

1. **Request for Proposal (RFP)** - Outlining needs and specifications.
2. **Purchase Order (PO)** - Confirming order details.
3. **Invoice** - Documenting payment request.
4. **Delivery Note** - Verifying delivered goods.
5. **Contract** - Formal agreement with supplier.

### c) Factors leading to direct procurement (4 marks)

1. **Urgency** - Immediate need for items.
2. **Limited Suppliers** - When few suppliers are available.
3. **Specialization** - Unique items not available from general suppliers.
4. **Volume Discounts** - When bulk purchasing is beneficial.

## Question Three

### a) Challenges of international purchasing (8 marks)

1. **Currency Fluctuations** - Impact on pricing.
2. **Cultural Differences** - Misunderstandings in communication.
3. **Logistical Issues** - Increased shipping times and risks.
4. **Regulatory Compliance** - Adherence to international laws.

### b) Aspects to negotiate during procurement (7 marks)

1. **Price** - Agreeing on a fair price.

2. **Delivery Terms** - Setting timelines for delivery.
3. **Quality Standards** - Ensuring product specifications.
4. **Payment Terms** - Determining payment schedule.
5. **Warranty and Support** - Coverage for product issues.

#### **Question Four**

##### **a) Application of technology in supply chain elements (8 marks)**

1. **Inventory Management Systems** - Automated stock tracking.
2. **Data Analytics** - Predicting demand and optimizing supply.
3. **RFID and Barcode Scanning** - Real-time product tracking.
4. **ERP Systems** - Integrating procurement with other business processes.
5. **E-Procurement Platforms** - Streamlining bidding and orders.
6. **Example** - Use of drones for delivery in logistics.

##### **b) Emerging issues in procurement (7 marks)**

1. **Sustainability** - Prioritizing eco-friendly practices.
2. **Digital Transformation** - Adopting digital tools and AI.
3. **Risk Management** - Addressing supply chain disruptions.
4. **Supplier Diversity** - Ensuring varied supplier base.
5. **Compliance** - Adhering to updated procurement regulations.