



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 (PROCUREMENT AND SUPPLY CHAIN MANAGEMENT)

BMS 318: PRINCIPLES OF PROCUREMENT MANAGEMENT

DATE: 6/12/2019

TIME: 8.30-10.30 AM

INSTRUCTIONS:

Answer Question ONE and any other TWO Questions.

QUESTION ONE (30 MARKS)

IMC

The 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 (20 MARKS)

- a) Explain the low-cost methods that an organization can use to purchase small value items. (10 marks)
- b) Explain how the approach of Activity Based Costing (ABC) may enhance cost reduction in an organization (10 marks)

QUESTION THREE (20 MARKS)

- 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 is paramount for quality attainment. (10 marks)
- b) Assess the contribution of Purchasing and Supply chain management function to organizational competitiveness (10 marks)

QUESTION FOUR (20 MARKS)

- 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 (20 MARKS)

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