



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BMS 427: INTERNATIONAL PURCHASING

DATE: 22/10/2020

TIME: 2:00 – 4:00 PM

INSTRUCTIONS:

Answer Question One and Any Other Two Questions.

QUESTION ONE (COMPULSORY) (30 MARKS)

PARALLEL IMPORTATION OF DRUGS TO LOWER COST OF MEDICATION

Recently, the Pharmacy and Poisons Board of Kenya made a bold decision to address what maybe the local pharmaceutical industry's most controversial issue, parallel trade in pharmaceuticals. While there have been previous attempts to tackle this matter in the past, it is hoped that the current attempt will pay attention to all important aspects of this issue in order to build a consensus among all interested parties in coming up with a policy position that is not only widely acceptable but also addresses most of the contentious issues once and for all.

Through a process considered largely as inclusive, the exercise commenced with the PPB organizing a stakeholders' forum where issues of parallel import of pharmaceuticals were deliberated upon; the output of these discussions were subjected to a focused/technical committee consisting mainly of representatives from the following interest groups among other membership: Kenya Association of Pharmaceutical Industry (KAPI), Kenya Association of Pharmaceutic Distributors (KAPD) and the representatives from the regulator, the Pharmacy and Poisons Board of Kenya. The result is the current product, a draft regulation framework. This document will be refined and subjected to a varied stakeholder audience including representatives from consumer organizations for input.

According to the PPB Head of Trade Affairs, Dr Antony Toroitich, the Ministry of Health through the Pharmacy and Poisons Board developed the draft legal framework for parallel importation of pharmaceuticals, in a bid to make medication accessible and affordable to all. This framework has put together all the necessary details pertaining to parallel importation of drugs that is expected to

ease the burden of cost of medication on many Kenyan households. “When implemented, this policy will see

the elimination of cartels in the local pharmaceutical market with resultant benefits to the population. Cartels have been a pain in this industry because they have provided an opportunity for the importation of substandard drugs and counterfeits into the Kenyan market,” said Dr Toroitich. “They have increased the cost of treatment by manipulating the supply and demand dynamics occasioning scarcity of essential drugs and eventually raising their prices; this they do for their own selfish gains,” he added. According to Dr. Toroitich, introduction of regulated parallel imports, will ensure constant supply of drugs and in the process improve access especially of lifesaving drugs.

Use the case to attempt question one a, b, and c.

- a) Explain FIVE challenges that a local firm may encounter when venturing into abroad sourcing for drugs as per the case. (10 marks)
- b) Assuming that one uses Counter trade for importation of drugs in the above case, discuss FIVE challenges he may face. (10 marks)
- c) Discuss the role that World Trade Organization (WTO) may play in the promotion of international procurement in the case above. (10 marks)

QUESTION TWO (20 MARKS)

- a) You have been tasked to draw up a specification for your organizational requirements being imported from China. Explain FIVE distinctions of such a specification with one for local use. (10 marks)
- b) Discuss FIVE ways in which globalization has positively impacted on international procurement. (10 marks)

QUESTION THREE (20 MARKS)

- a) Discuss FIVE antitrust measures that Governments should put in place to ensure harmonious import and export operations (10 marks)
- b) Discuss FIVE factors that should be considered when choosing a mode of transport in international procurement. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Explain FIVE reasons that may make it necessary for organizations to prefer the use of clearing and forwarding agents. (10 marks)
- b) You have been tasked to Design a risk register for international procurement for your organization. Explain FIVE economic related risks in such a register. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Through examples, explain FIVE advantages of Letter of credit as a payment instrument in international procurement. (10 marks)
- b) Explain the common clauses that should be incorporated in a contract of importation. (10 marks)