



MACHAKOS UNIVERSITY

University Examinations for 2021/2022 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE (PROCUREMENT OPTION AND SUPPLY CHAIN
MANAGEMENT)

BMS427: INTERNATIONAL PURCHASING

DATE: 10/12/2021

TIME: 8.30-10.30 AM

INSTRUCTIONS

This paper consists of FIVE questions

Answer question one and other two questions in this paper

Duration is 2 hours

QUESTION ONE (COMPULSORY)(30 MARKS)

*Read the **Madid Global** case study below and Answer Questions a, b, and c.*

MADID GLOBAL

The firm, a European manufacturer of ready-made garments, is marketing the products in American markets. It has Hong Kong –based local coordination offices to look into the movement of the inventory. The initial conceptualization and design of the garments is done in Hong Kong. The cotton yarn is brought from Korea and dye and woven in Taiwan. Japanese zippers are sourced from a factory located in China. Finally, all these components are shipped to Thailand where a consignment of 50,000 garments is split into five batches of 10,000 each for further processing in five separate factories. The ready-made garment may bear a” made in Thailand label, “which does not reflect the reality. The entire consignment will then reach Hong Kong where the final inspection and packaging will be done. The final inspection and packaging will be done. The final product will reach the destination in five weeks’ time. Similar networks are also in operations for product like Barbie dolls and entrainment electronics.

- a) Identify the business model being described in the case and with supportive evidence discuss FOUR advantages of this type of business model (10 marks)
- b) With reasons explain FIVE challenges that are experienced by the time garments are ready in the case above (10 marks)
- c) Identify FIVE INCOTERMS 2020 that are applicable in the movement of components required in making of garments and show the point at which they are applicable in the business described above. (10 marks)

QUESTION TWO (20 MARKS)

- a) According to the Customs Act 2010 and Kenya Trade Remedies Act 2017, differentiate between countervailing duties and anti-dumping duties explaining the grounds under which they are applicable in Kenya. (10 marks)
- b) There is increasing business relations between Kenya and China, explain five courtesies and etiquette that a Kenyan trader should be acquainted with. (10 marks)

QUESTION THREE (20 MARKS)

- a) The growth of cartels is against the Competition Act 2010 and affects international purchasing. Discuss the reasons that may account for the growth of such cartels in Kenya. (10 marks)
- b) According to the Customs Act 2010 and The East African Community Customs Management Act 2004, Explain FIVE roles that a bonded warehouse keeper is expected to play. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Nampak Company limited imports ore from Malaysia for manufacturing cans and bottle tops. Using **five** points, Advise the Company on how to use irrevocable Documentary credit to pay for the ore imported. (10 marks)
- b) There are various aspects covered by the United Nations Convention on Contracts for the International Sale of Goods. Explain FIVE such provisions. (10 marks)

QUESTION FIVE (20 MARKS)

- a) You are in the process of incorporating a fish processing and exporting plant in Kenya. Explain the various regulatory requirements you may need to comply to. (10 marks)
- b) There has been a debate for institutions in the health sector to import medical supplies without the involvement of Kenya Medical Supplies Authority (KEMSA). Evaluate five reasons against such a move. (10 marks)