



# **MACHAKOS UNIVERSITY**

**University Examinations for 2020/2021 Academic Year**

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**THIRD YEAR FIRST SEMESTER EXAMINATION FOR**

**BACHELOR OF COMMERCE(PROCUREMENT)**

**BMS 318: PRINCIPLES OF PROCUREMENT MANAGEMENT**

**DATE: 17/8/2021**

**TIME: 2.00-4.00 PM**

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## **INSTRUCTIONS:**

**Answer question one and any other two questions.**

### **QUESTION ONE (30 MARKS)**

#### **AUTOMOTIVE INDUSTRY**

Lean manufacturing concept has been implemented widely in the automotive industry so the case studies about lean manufacturing is very readily available. Due to the increasing competition in the automobile industry, car manufacturers have to launch a new model to the market more frequently. This section will show you how BMW manages a long-term planning, how Ford applies lean concept to the new product development and how Hyundai manages the production planning and control.

BMW uses a 12-year planning horizon and divides it into an annual period. After that, they will make an annual sales forecast for the whole planning horizon. After the demand is obtained, they divide sales into 8 market and then select the appropriate production sites for each market, considering overall capacity constraints and total cost. As you may notice, this kind of a long-range planning has to be done strategically. Ford calls its product development system as “work streams” which include the body development, engine development, prototyping and launch process. The cross-functional team are the experts and their roles are to identify key processes, people, technology necessary for the development of new prototype.

Each work stream team is responsible to develop timeline of each process. Detailed plan is usually presented on A3 sized paper. They clearly identifying current issues they are facing with supporting data, drawings and pictures. On weekly basis, they organize a big group meeting of all work stream team to discuss the coordination issues. Hyundai deploys a centralized planning system covering both production and sales activities across the facilities and functional areas. They develop a 6-month master production plan and a weekly and a daily production schedule for each month in advance. During a short-term planning (less than one month), they pay much attention to the coordination between purchasing, production and sales. Providing a long-term planning data to its suppliers help to stabilize production of its part makers a lot.

**Required:**

- a) In the above case, the cross-functional team identify key processes, people, and technology necessary for the development of new prototype. Explain five roles of a purchasing officer in such teams. (10 marks)
- b) As per the case, Hyundai deploys a centralized planning system covering both production and sales activities across the facilities and functional areas. Discuss five procurement related implications of such a system (10 marks)
- c) In reference to the above case, BMW manages a long-term planning for its production work. What elements should be addressed in their annual procurement plans. (10 marks)

**QUESTION TWO (20 MARKS)**

- a) Lack of efficient order progression may undermine all the efforts invested by the procurement staff. Use five points, to justify this statement (10 marks)
- b) Economic order Quantity (EOQ) Model may not be appropriate for control of inventory in certain circumstances. Explain five such circumstances. (10 marks)

**QUESTION THREE (20 MARKS)**

- a) Mandi Manufacturing processes are certified for quality by KEBS. The management of the Company is however still demanding quality improvement initiatives. Justify the reasons for such a culture (10 marks)
- b) After the evaluation exercise of contractors for a road construction in Midipo County, a directive has been given for negotiations with the first three contractors. Explain the potential aspects for negotiation. (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) Discuss FIVE benefits that may accrue to a supermarket that opts to hire forklifts for use in their operations as compared to outright purchase. (10 marks)
- b) Giving examples, explain FIVE ways in which Cross Docking may contribute to cost savings to the retail industry in Kenya. (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) The procurement staff in your organization has been facing a challenge when handling offer of gifts from its suppliers. Propose five-point criteria on factors to consider when streamlining the issue. (10 marks)
- b) Globally, organizations are concerned with green interventions. Explain five such interventions on procurement operations by a manufacturing firm. (10 marks)