



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BMS 422: CONTRACT AND LEGAL ASPECTS IN PURCHASING

DATE: 12/8/2021

TIME: 2.00-4.00 PM

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTION ONE (30 MARKS)

Development of a long-term strategic outsourcing relationship requires moral, ethical standards, trust and a willingness not to try to exploit the new relationship at the expense of long-term cooperation. Strategic outsourcing relationship needs a specific management strategy and companies should pay more attention to the burdens embedded within it to increase growth opportunities and benefit from cost saving opportunities.

Resource commitment and smoothing over problems are poor predictors of alliance success. The implications of these results for managerial decision making in supplier alliance development create pitfalls in strategic alliances. The purchasing manager should try to address this pitfalls as this are his personal liability. In doing that, the manager must follow the laws laid down in the procurement and legal framework in Kenya.

The number of strategic alliances has almost doubled in the past ten years and expected to increase even more in the future. More than 20,000 corporate alliances have been formed world-wide over the past two years, and the number of alliances in the Kenya has grown by 25 percent each year since 1987. Outsourcing is a form of strategic alliance, which is attractive for many organizations, but it is not simple or easy to create, develop, and support. There are many implementation problems and the failure rate projected to be as high.

In the light of the case:

Questions

- Discuss possible pitfalls of strategic alliance in supply chain management. (8 marks)
- Identify the possible benefits of strategic alliances under increased growth and cost savings. (6 marks)
- Differentiate sale and agreement to sell. (10 marks)
- Discuss three key principles that make strategic alliance work (6 marks)

QUESTION TWO (20 MARKS)

- a) Explain the principals that public procurement legal framework is based on. (8 marks)
- b) Explain how a contract can be terminated. (12 marks)

QUESTION THREE (20 MARKS)

- a) Identify five types of transactions not covered by uniform commercial codes (10 marks)
- b) Identify the five remedies for breach of contract. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Last year your friend's uncle promised him an iPhone for his 18th birthday. When he turned 18 he gave him an old broken cell phone. He became aggrieved and contemplated a legal action. He has come to consult you whether there was a legally enforceable contract please advise (10 marks)
- b) Explain the sources of resources from which the public procurement is affected. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Generally, contracts are classified under three broad categories, formation, enforceability and performance. Under each category discuss two types of contracts (8 marks)
- b) Public procurement legal framework encompasses laws that govern public organization procurement activities. Disclose the coverage of public procurement legal framework in Kenya. (12 marks)