



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS JANUARY - APRIL 2021 SEMESTER**

### **BACHELOR OF COMMERCE**

**COURSE CODE: BCPS 200**

**COURSE TITLE: PURCHASING AND SUPPLY MANAGEMENT**

**DATE: 11 MAY 2021**

**TIME: 11:30 AM – 2:30 PM**

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#### **INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** All exam rooms are under CCTV surveillance during the examination period.

## **SECTION A: COMPULSORY**

### **QUESTION ONE**

#### **Case study - the protective equipment company**

**Read the Case study Below and use it to answer the questions that follow.**

The Protective Equipment Company (PEC) is a medium-sized enterprise in the private sector. PEC manufactures and sells a range of protective work-wear and equipment which is designed to withstand the most hazardous working conditions. The products are made to extremely high quality standards and PEC constantly updates its products to reflect different operating environments and health and safety at work requirements. New product development is often focused primarily on technical excellence rather than profitability. The current buyer at PEC has been in the position for six months having been promoted from purchasing assistant when the previous buyer retired. Due to her limited experience combined with the complexity of the product range and the need for high levels of quality, she has found it difficult to influence sourcing strategy. Formal procurement procedures and systems at PEC are very limited. Currently, the buyer waits to receive a requisition from the production function to place orders for equipment, materials and products. This means that orders are usually urgent and the buyer has little opportunity to review alternative suppliers or sourcing approaches. Low value maintenance, repair and operations (MRO) requirements cause particular problems as the requisitions are difficult to aggregate. This causes excessive and time-consuming administration for the buyer. Pressure testing machinery used for testing the quality of seams in the protective work-wear is nearing the end of its life and will soon require replacement. Product testing is essential to confirm final quality of manufacture and conformance to industry standards. The test equipment is highly specialised and will be costly to replace. Also, recent machine maintenance highlighted both the cost and the long lead times of the MRO items required to keep the machine operational. If the equipment is not replaced, the test work will need to be outsourced to a facility specialising in this type of service provision. Recently, the buyer has become concerned that some of her key suppliers could be facing financial difficulties. However, she is uncertain how to investigate the financial position of these suppliers. The information left by the previous buyer is several years out of date and the current buyer is concerned that their position could now be significantly worse. The buyer believes that she needs to research the supply market in order to gather more information on external supplier capabilities. This will allow her to identify alternative suppliers with the necessary technical and quality standards and good financial stability.

#### **Required**

- a) Examine four different sourcing approaches that could be used by the buyer at PEC to more effectively source safety products and materials from suppliers. **[10 Marks]**
- b) Identify five signs that the buyer at PEC could look for to indicate that certain suppliers are experiencing financial difficulties. **[10 Marks]**
- c) Explain five approaches that the buyer at PEC could take to obtain reliable information about these suppliers' financial positions. **[10 Marks]**

- d) Suggest appropriate sources of market and supplier data that could be used by the buyer at PEC to research the supply market. **[10 Marks]**

## **SECTION B: ANSWER ANY THREE QUESTIONS**

### **QUESTION TWO**

- a) The procurement cycle outline the key stages involved in the purchase of a strategic item. Discuss the key documents used in the procurement cycle **[10 Marks]**
- b) Most organization have decentralized some of their purchasing activities and only the critical are centralized. Examine the main advantages of a centralized purchasing department. **[10 Marks]**

### **QUESTION THREE**

Value for money involves taking into account the optimum combination of a whole life cost and quality necessary to meet customer's requirements.

- a) Discuss the main techniques that procurement managers can use to obtain the best value for money of the products and services that they procure. **[10 Marks]**
- b) Explain the various factors that Influence the price for which Procurement Managers buy the products and services to be able to generate maximum value. **[10 Marks]**

### **QUESTION FOUR**

- a) Purchasing department in modern practice is considered as being fully integrated into the firm's competitive strategy. In regard to this statement, evaluate on the strategic focus of purchasing and supply **[12 Marks]**
- b) Discuss the various Principles that inform Prudent Procurement Officers in their daily Operations. **[8 Marks]**

### **QUESTION FIVE**

- a) Kaka Ltd. uses EOQ logic to determine the order quantity for its various components and is planning its orders. The Annual consumption is 80,000 units, Cost to place one order is Ksh. 1,200, Cost per unit is Ksh. 50 and carrying cost is 6% of Unit cost.

**You are required to:**

- Determine the EOQ. **[3 Marks]**
- Find the Number of orders per year. **[3 Marks]**
- Calculate the Ordering Cost and Carrying Cost and Total Cost of Inventory. **[6 Marks]**

**b) Examine the various reason why Maintenance of Purchasing Records is crucial for any Purchase department.**

**[8 Marks]**