



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR third YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS BCOM-PURCHASING AND SUPPLY

COURSE CODE: BCM 3148

COURSE TITLE: PURCHASING MANAGEMENT

DATE: APRIL 2022

TIME:

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** questions

MACABA INDUSTRIES LTD.

Macaba Industries Limited situated along the busy Wambia Street, distributes their various products through 34 branches scattered across the country. In order to effectively meet its customer's needs in the branches, the company has centralized its procurement function at the headquarters. Last year, the company handled over one million items including caterpillars, tractors, computers and drugs among other items. 92% of the items distributed cost between Ksh. 120 - Ksh. 250 and the frequency of requisition by the branches makes procurement and distribution quite expensive to the organization.

The procurement manager, Mr. Mwandu is planning to come with strict regulations to limit rush orders from the branches, as has been the habit of branch managers to use red stickers indicating emergency in most cases. The clerks in the department have been suspected of colluding with suppliers to reap off the company by accepting higher bids than the competitors. This is also evident for prices of small items such as stationery and toiletries, time for preparing for negotiations. In future the company intends to hire the services of consultants to improve operations in procurement.

QUESTION ONE (25 MARKS)

Assuming that you are the procurement consultant contracted to improve performance at Macaba Industries:

- a) Highlight five negative impacts of the procurement practices at Macaba industries. **(5 MARKS)**
- b) Recommend the likely remedy for each negative practice. **(5 MARKS)**
- c) Give Macaba Industries five reasons why they should measure their procurement performance. **(5 MARKS)**

d) Briefly discuss the following methods of quality assurance:

1. Total quality management **(2 MARKS)**
2. Standardization **(2 MARKS)**
3. Specification. **(2 MARKS)**
4. Variety reduction. **(2 MARKS)**
5. Benchmarking. **(2 MARKS)**

QUESTION TWO

a) There are various sourcing levels that can be adopted by a company when obtaining the required supplier. Discuss three such levels and highlight their benefits and limitations. **(15 marks)**

QUESTION THREE

a) What are the legal rights of the buyer if goods delivered by a supplier do not measure up to the specifications? **(5 marks)**

b) Discuss five challenges of a devolved purchasing organisation **(10 marks)**

QUESTION FOUR

a) Why might an organization decide to insource? Can you give an example? **(5marks)**

b) What advantages does the competitive bid process have as a method of price determination? **(10marks)**

QUESTION FIVE

a) What are the goals of early supplier involvement (ESI)? **(5 marks)**

b) How might social or political issues impact a supplier selection decision? **(10 marks)**