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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**THIRD YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 2<sup>nd</sup> August, 2022  
Time: 11.30am –1.30pm

**KPS 300 - CONTRACT ADMINISTRATION**

**INSTRUCTIONS TO CANDIDATES**

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**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE (30 MARKS)**

Joska, a manufacturing firm supplies their products in all Eastern African countries. The board of management of Joska decided at the start of this year to invest up to ksh.5,000,000 in implementation of an enterprise resource planning (ERP) system that would integrate and update the IT facilities used throughout the firm.

Informal discussions were held with a firm of consultants, EB systems to produce a specification for the new ERP system. EB systems produced the specification together with a formal quotation for the new system. In the quotation they advised Joska that it would take approximately six months to complete both the development and installation of the new system and that the cost of the work involved would slightly be in excess of Joska's budget of ksh.5 million. EB system stated the cost of the work was an estimate and secondly, that they would use their best endeavours to achieve any delivery timescale. Thirdly, the EB systems will not accept any liability for late completion of the works. Joska marketing director was keen for EB systems to commence work and consequently issued a document to them intending to formalize or to have a legal binding agreement. The document stated that the development and implementation of ERP system should be completed within six months for the quoted cost of ksh. 5 million.

The receipt and acceptance of the document was confirmed by an emailed response from sales director of EB systems who referred to the terms outlined in their original quotation and stated the development work was under way. Two weeks later, Joska's marketing director passed copies of correspondences with EB systems to Joska's procurement manager, Mwangi Njau. Mwangi send a letter to EB systems stating that the work would be regulated by Joskas terms of service. These terms stated that the contract would be a fixed price and that the completion date would be a condition of the contract. His letter was ignored by EB systems. Work on the development of the system ran into difficulties. It took a month before managers of EB systems met with managers from Joska as these was necessary to assess the desired capabilities of the integrated IT system. It then transpired that the team working on the system development were subcontractors working on behalf of EB systems and were unclear about Joska's requirements.

Shortly after the meeting, a letter from EB systems stated that the developments work would take longer than expected. Further delays were anticipated because access would be required across Joska business units, and that difficulties had been experienced due to the non-availability of key personnel. In view of these setbacks, it was envisaged that more resource would need to be deployed and so likely costs would be set to rise to ksh.6million and would take approximately nine months to complete the work required. Joskas managing director was furious as he believed that the procurement process that had been followed by Joska was flawed. His immediate reaction was to consult the firm,s lawyers to see how EB systems should be dealt with.

**Required**

- a) In reference of the above case study analyze whether Joska is likely to be liable for the additional costs and delays for the work involved in developing and implementing the new ERP systems (10 Marks)
- b) Identify and review where the procurement process broke down between Joska Manufacturing firm and EB systems. (10 Marks)
- c) Make recommendations for improvements in procurement process in future (5 Marks)
- d) Identify the best type of contract that could have been used to determine the development price. Give reason. (2 Marks)
- e) In your view, which method of tendering could Joska have used to source for a reliable service provider. Give two reasons. (3Marks)

**QUESTION TWO (20 MARKS)**

- a) Selection of contract pricing methods is necessary to provide effective management of contracts. Discuss five types of contracts in purchasing and sale goods and services. (10 Marks)
- b) Explain five importance of contract administration (10 Marks)

**QUESTION THREE (20 MARKS)**

- a) Discuss five causes of price variations during contract administration (10 Marks)
- b) Discuss five benefits of performance management framework during contract administration (10 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Explain five circumstances under which a procuring entity may use restricted tendering method in a procurement process (10 Marks)
- b) Discuss five components of a contract (10 Marks)

**QUESTION FIVE (20 MARKS)**

- a) Explain four advantages of cost plus award fee contract (8 Marks)
- b) List and explain three features open tendering method (6 Marks)
- c) Explain briefly three duties of a buyer in a contract of sale (6 Marks)