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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 19th April, 2023
Time: 11.30am – 1.30pm

KPS 100 - PRINCIPLES OF PURCHASING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

THE PRIVILEGED CONSULTANT

As a Privileged Consultant, I have been allowed to be on the wall of a corporate boardroom to observe the proceedings during the high-powered discussions. A case in point is about a manufacturing and engineering firm that has been doing very well in terms of sales but has a serious challenge of escalating freight costs. The case study reveals that the root cause of the problem is insufficient inventories and lack of planning and a fragmented purchasing process. The case study will provide a detailed analysis of the firm's basic inventory problems. The case study will also highlight the management of forecasting, purchasing, materials management, inventories and production to indicate the firm's management challenges. As the firm is manufacturing, it is, therefore, necessary to reflect on reasons for holding inventory. Sufficient inventory ensures that production is continuous and at an economic level, contributing to a lower manufacturing cost per product through efficient use of equipment and labour (Hugo, et al.; 2002). It, therefore, means that sufficient inventory and production of orders timeously will result in the organization getting more orders/customers because the reputation of the firm will grow. This will only be achieved through investing in a research and development(R&D) department which will be involved in analyzing the market before sourcing for the inventories. R&D will be able to specify the materials required for manufacturing in liaison with other departments in the organization.

The firm runs a risk of losing a lot of money if managing inventory records is not exercised and applied properly. This can result in large inventories being carried and kept in stock thus increasing inventory costs which causes the Managing Director to raise a concern regarding the need to carry inventory, considering the costs. However, with proper consultation and communication between the Procurement Manager and other Line Managers, a decision can be taken with regard to materials that must be carried on inventory as well as the acceptable quantities to be carried on inventory. The aim of inventory is to hold inventories at the lowest possible cost, given the objective to ensure uninterrupted supplies for ongoing operations (Hugo, et al.; 2002). It is clear that consideration must be taken into account when a decision is taken, so that it benefits the firm without ignoring the environmental and social responsibilities.

Adopted from Better Essays

Required;

- a) The case study highlights “management of forecasting, purchasing, materials management, inventories and production to indicate the firm’s management challenges”. Explain the difference between purchasing, procurement and material management (6 Marks)
- b) From the statement “*The firm runs a risk of losing a lot of money if managing inventory records is not exercised and applied properly.*” Explain the importance of inventory records (6 Marks)
- c) The sentence “*R&D will be able to specify the materials required for manufacturing in liaison with other departments in the organization.*” Explain the purpose of material specification (6 Marks)
- d) The statement “*This will only be achieved through investing in a research and development(R&D) department which will be involved in analyzing the market before sourcing for the inventories*” Discuss why is it necessary to analyze market conditions before sourcing. (6 Marks)
- e) Explain how the firm can implement the issues involved in environmental and social responsibility in purchasing (6 Marks)

QUESTION TWO (20 MARKS)

- a) Discuss the various types of specifications used by an organization. (8 Marks)
- b) Explain the requirements of a good specification. (8 Marks)
- c) Explain the advantages of matrix organizational structures. (4 Marks)

QUESTION THREE (20 MARKS)

- a) Discuss various factors that are considered when establishing purchasing liaison (10 Marks)
- b) Explain the relationships that exist between:
 - i) Purchasing and production (5 Marks)
 - ii) Purchasing and marketing (5 Marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the basis on which suppliers are assessed and rated . (8 Marks)
- b) Explain the factors that favour an organization to buy rather than making in-house (8 Marks)
- c) Discuss the factors influencing the centralization of the purchased and supply department (4 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss the problems of international sourcing (8 Marks)
- b) Discuss the advantages of barcoding to an organization 8 Marks)
- c) Discuss the approaches to purchasing and supply department internal organization in a single plant firm. (4 Marks)