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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FIRST YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 11th December, 2024
Time: 2.30 – 4.30pm

KPS 2100 - PRINCIPLES OF PURCHASING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

(READ THE CASE STUDY BELOW AND ANSWER THE QUESTIONS THAT FOLLOWS)

CASE STUDY

NORTHLANDS ENTERPRISE LIMITED

Northlands Enterprise Limited is a multinational consumer goods company which was formed in 1992. Its products include detergents, food and beverages. The products are available in 62 countries and it is the largest producer of detergent in Africa. In 1996, it had portfolio of 900 brands. In 2015, the company decided to restructure its supply chain, and it reduced its vast brand portfolio from 900 to 300 in order to focus on the brands that were performing well in the market. The company adopted best practices in purchasing that fit well with the overall organizational restructuring program in order to remain competitive in the ever-changing supply chain environment. Northlands enterprise Limited planned to work with suppliers in a structured and strategic fashion so as to reduce costs in both short term and long-term time horizons, spur innovation, ensure continuous supply, and secure preferential access to unique supplier assets and expertise. Northlands Enterprise Limited manages a number of partnerships with customers and suppliers. Around one-eighth of its products are sold through 8 major retail chains. Most of its products are sold in over 6 million shops in developing and emerging markets which contributes to 50% of the total sales.

Required;

- Discuss purchasing best practices in the context of the above case. (6 marks)
- Discuss the reasons that might have contributed to Northlands Enterprise Limited developing a restructuring program (6 marks)
- Discuss the benefits accrued by Northlands Enterprise Limited from the partnerships approach. (6 marks)
- Identify and explain how stakeholder management has contributed to current statistical success data of Northlands Enterprise Limited. (6 marks)
- Discuss how supply market analysis benefits the Northlands Enterprise Limited. (6 marks)

QUESTION TWO (20 MARKS)

- a) Negotiation is a critical component of the supplier selection process which plays a crucial role in establishing mutually beneficial relationships with potential suppliers and ensuring that the chosen supplier(s) can meet the organization's needs effectively.
- Required;
- i) Discuss the key points to consider when negotiating during the supplier selection process. (6 marks)
- ii) Discuss the benefits accrued from a win-win negotiation approach. (6 marks)
- b) Every purchase in a business must be backed by verifiable transaction data since decision making is required at several stages before the transaction is approved. Therefore all businesses are required to monitor every stage of the process to maximise accuracy and efficiency. Discuss the benefits of Information, Communication and Technology to the above statement. (8 marks)

QUESTION THREE (20 MARKS)

- a) Cost of Quality is a methodology that allows an organization to determine the extent to which its resources are used for activities that prevent poor quality. Explain the four types of cost of quality affecting quality of goods and quality service delivery. (8 marks)
- b) How are organizations coping with emerging trends in procurement of goods, works or services? (6 marks)
- c) Identify and discuss any three sources of information available to a buying organization seeking information about potential sources of supply. (6 marks)

QUESTION FOUR (20 MARKS)

- a) Businesses that utilize international purchasing and global sourcing always gain access to world-class technologies that do not exist in their domestic markets and it becomes valuable when technologies are employed in the production of goods and services. Discuss other benefits of international purchasing. (8 marks)
- b) Most major companies and even government organizations have a purchasing/ procurement department as part of everyday operations calling for a liaisons and comprehensive communication strategy. Discuss the benefits accrued from a purchasing and finance relationship. (6 marks)
- c) Using practical examples define the following terms as used in principles of purchasing contract management team, quality management system, prequalification of suppliers. (6 marks)

QUESTION FIVE(20 MARKS)

- a) The aim of regulating procurement in the public sector is to ensure that procurement is streamlined to conform to international procurement laws and standards. It is a complex issue because of the multiple interests and objectives it strives to achieve simultaneously, coupled with adherence to numerous regulations and laws. Explain the importance of organizations complying with procurement laws and regulations. (8 marks)
- b) Describe the content that should be included in a supplier criterion. (6 marks)
- c) Highlight the importance of record keeping to a purchasing function. (6 marks)