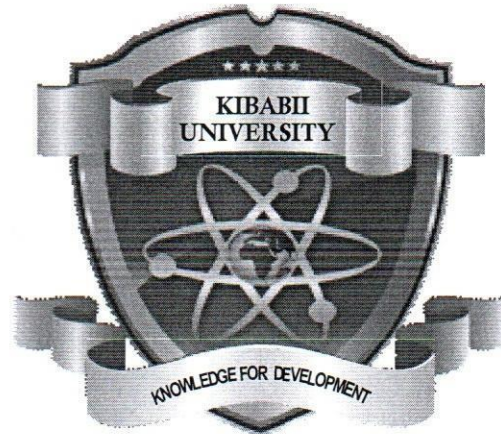


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UNIVERSITY EXAMINATIONS

MAIN EXAMS

2020/2021 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCP 345E

COURSE TITLE: CONTRACTS DEVELOPMENT IN PURCHASING AND SUPPLIES

DATE: 18/05/2021

TIME: 9.00AM-11.00AM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE (compulsory) and ANY OTHER TWO questions

Question One (Compulsory) KIBABII UNIVERSITY

Case study

The achievement of an effective contract management may be hindered by various challenges. Some of them include but not limited to the following: First, contract managers experience a challenge regarding unforeseen work. This implies that contract management may result in work that is contrary to the contract terms and conditions. Therefore, it is essential for an organization to define its expectations clearly in the contract. The business requirements should be well documented and that people at all organizational levels and end users should be involved in the development of the requirements and documenting them in the SOW (Young, 2008). Moreover, budget or timeline constraints hamper effective contract management. Angeles and Nath (2007) reveal that contract managers often face this challenge due to unclear project scope, and unrealistic timeline and budgets. Thus, to salvage this challenge, it is important to have clearly defined scope, budget, and timeline for the contract.

Unidentified project status also limits successful contract management in an organization. This is usually experienced due to poor communication among the contract parties. To solve this, it is valuable to integrate a communication plan in the contract. This will enhance timely contract status updates. Aman, Hamzah, Amiruddin and Maelah (2012) assert, contract management may also suffer from inadequate skilled resources. Contract management normally suffers because of unavailability of appropriate resources to implement it. Therefore, it is indispensable to have a project team from each contract parties (Dimitri, Piga & Spagnolo, 2006). Choy, Chow, Lee and Chan (2007) state that conflicts regarding payments hinders an organization from practicing proper contract management. To solve this, it is necessary to define ways and processes in the contract to penalize or award on the basis of compliance with the agreement. It is also significant to devise ways of measuring progress and set actual acceptance standards. Panesar and Markeset (2008) also point out that change can be challenging to a contract management team especially if it lacks appropriate measures of handling it. Contract management challenges include lack of cooperation and inflexibility (Wang & Bunn (2004; Nysten-Haarala, Lee & Lehto, 2010). The right way of preparing for change by through structuring the contract in such a way that allows the team to properly identify and review risks weekly. Besides, the contract must incorporate requirements of assessing risks and identifying their solutions. Additionally, an official change control approach need to be integrated in the contract.

As Schiavo-Campo and McFerson (2008) state, contract managers also face a challenge when tracking global contracts. This affects organizations that operate internationally or award contracts to both local and global companies. Various factors including language difference and unique business techniques may complicate global contracts and making it hard for the parties to understand each other. To solve this, it is necessary to specify a common language to use in the contract to facilitate clear understanding (Saxena, 2008). As well, an issue of contract management performance could also hinder a proper contract administration. Organizations need to check if their contractual responsibilities are being carried out and that deadlines are met. Managers may understand the contract details during implementation, but these may be forgotten with time. Therefore, to avoid this, it is important to have reminders and identify contract activities and tie to calendars (Cohen & Eimicke, 2008). Managing data in diverse locations can make it hard to locate and relate documents to each other. This may cause problems if there is need to review many documents regarding a specific contract, or review various versions of the document, and they are separate. Therefore, organizations need to establish central data management systems to

facilitate effective contract management (Choy et al., 2007). Finally, CMKN (2012) highlights some of the factors that contribute to inefficiency in public procurement in Kenya's public procurement. Corruption, delayed payments, poor planning, statutory amendments, insufficient use ICT, low public participation, and improper payment procedures negatively affects public procurement in the country.

QUESTION ONE

- a) Contracts are always formed between various organizations however a time come when the parties disagree due not following the elements of a contract discuss (14 marks)
- b) Differentiate the terms expressed terms and implied terms as applied in the contract (6marks)
- c) A contract is said to be discharged when the obligations created by cease to bind the parties that who are now freed from performance. Discuss (10 marks).

QUESTION TWO

Describe the different approaches to the purchase of production materials and capital items.
(20 marks)

QUESTION THREE

In a contract specification is key Explain five reasons why a purchaser might favour an 'output' specification over a 'conformance' specification (20 marks)

QUESTION FOUR

- (a) Outline three possible reasons for the failure of an outsourcing contract.
(10 marks)
- (b) Discuss five possible actions that could be taken to ensure success in outsourcing contracts.
(10 marks)