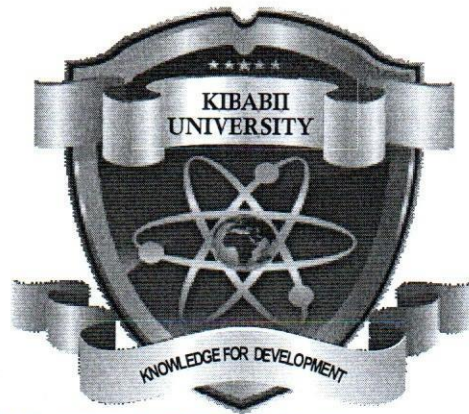


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KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS

MAIN EXAMINATION

**2020/2021 ACADEMIC YEAR
SECOND YEAR SECOND SEMESTER
FOR THE DEGREE OF BACHELOR OF COMMERCE**

COURSE CODE: BCP 221

COURSE TITLE: PURCHASING AND SUPPLY MANAGEMENT

DATE: 12/15/2021

TIME: 09.00AM-11.00AM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE (compulsory) and ANY OTHER TWO questions

QUESTION ONE

CASE STUDY: SOURCING IN PROCUREMENT AND SUPPLY

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) is an international organisation that aims to attract and distribute resources to prevent and treat HIV and AIDS, tuberculosis and malaria. The organisation has its headquarters in Geneva, Switzerland. It is financed by government grants and public donations. GFATM intends to develop its sourcing and procurement activities. It has recently carried out a review to explore how efficiency could be improved, to develop increased commercial expertise in its field staff, and therefore achieve greater transparency on costs and payments. Malaria, which is carried by mosquitoes, kills many thousands of people every year, many of whom are children. One of its first sourcing activities under this new approach was to carry out the world's largest tender for the supply of mosquito nets, designed to produce estimated savings of \$140 million for GFATM over two years. The project would provide 190 million bed nets and protect 400 million people at risk of malaria in 30 African and Asian countries. The lives of an estimated 1.3 million children could be saved. A new sourcing process was established to organise the structured purchase of mosquito nets, shifting the power from seller to buyer. The process focused on reducing the market dominance of individual manufacturers and mosquito net suppliers. There would be a strong focus by GFATM on local production and suppliers using this new approach. Long-term contracts resulting from the new sourcing process would improve visibility, production, capacity planning and pricing. Another aim of the sourcing exercise was to generate overall value by ordering more nets of a standard size and simplifying manufacturing processes to cut costs. Previously the number of mosquito net specifications was very wide. Through standardisation and reduced prices, a third more nets could be bought within the same budget. By using large-scale purchasing power, the new process would provide better value for money, providing savings and the reduction of supply chain bottlenecks and shortages. The new sourcing process was also meant to achieve a balanced sustainable supply chain. Contracts would be spread among a number of suppliers and this would support innovation, optimise capacity and reduce risk in GFATM's supply chain. In addition, the sourcing process would support domestic production in countries with high demand for mosquito nets, which would lower transportation costs and utilise advice from local experts. However, the move towards using smaller local suppliers would need to be managed carefully in order to ensure the suppliers' financial stability. The mosquito net sourcing exercise was part of a more proactive approach to procurement being adopted by GFATM. The organisation aims to follow it up with a similar sourcing exercise for medical supplies. The GFATM sourcing team has introduced a strategic review of its approach to sourcing and is trying to gain a better understanding of market dynamics. The strategic review process aims to promote capability development throughout the supply chain, including better coordination and cooperation. Expected outcomes of the strategic review process include the better understanding of stakeholder needs, comprehensive supply market intelligence, a common sourcing process, reduced costs, and improved innovation. This is a collaborative approach which should help GFATM to achieve common objectives and eliminate duplication of effort.

Questions

- a) In your own view discuss the sourcing processes that GFATM would adopt in supplying mosquito nets. (10 marks)
- b) Discuss the benefits of standardization that GFATM would get (10 marks)
- c) The GFATM sourcing team has introduced a strategic review of its approach to sourcing and is trying to gain a better understanding of market dynamics. Discuss the sourcing strategies that GFATM would adopt in purchasing of the mosquito nets. (10 marks)

QUESTION TWO

- a) Maarifa confectionery for a long time had purchased packaging materials for their cakes, and all over a sudden, the procurement officer in the said firm opted that they rather make their own packaging materials instead of buying from outside vendor. Elaborate the considerations of opting for such decision. (10 marks)
- b) Purchasing is a function that is vulnerable to fraud, although it also involves anyone in direct contact with suppliers, including engineers, sales and computer staff. Expound on any five examples of supplier related fraud. (10 marks)

QUESTION THREE

- a) To meet the need of all departments, specification must satisfy many requirements. Discuss the requirements that specification should fulfil in each department. (10 marks)
- b) Using an illustration distinguish between pull and push strategy in purchasing. (10 marks)

QUESTION FOUR

- a) Describe the actions that purchasing can take to reduce uncertainty associated with;
- (i) Supplier quality.
 - (ii) Supplier delivery.
 - (iii) Long order-cycle times.
 - (iv) Inaccurate demand forecasts. [11] (10 marks)
- b) The parties to a sourcing negotiation can discuss many issues besides price. Select five non price issues over which a buyer and seller can reach agreement, and explain why each issue might be important to the buyer or seller. (10 marks)

QUESTION FIVE

a) In order to meet the requirements of efficiency and effectiveness in any given organisation, the purchasing department must maintain sound relationship with other departments. Briefly explain the relationship that exist between purchasing department and:

- (i) Information Communication Technology (5 marks)
- (ii) Human Resource Management (5 marks)

b) Highlight five issues a purchasing department must look into to ensure that the objectives of purchasing are met in the organisation. (10 marks)