

KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS

MAIN EXAMS

2022/2023 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT

COURSE CODE: BBL 221

COURSE TITLE: PURCHASING AND SUPPLY MANAGEMENT

DATE: 12/04/2023

TIME: 9:00-11:00 AM

INSTRUCTIONS TO CANDIDATES

- 1) Answer Question **ONE** (Compulsory) and **ANY OTHER TWO** Questions
- 2) Candidates must hand in their answer booklets to the invigilator while in the examination room
- 3) Credit is given for legibility, clarity and use of relevant examples
- 4) Question **ONE** is **30 marks** while Questions **2-5** carry **20 marks** each
- 5) Clearly write your **Registration Number** on each answer sheet used

TIME: 2 Hours

KIBU observes **ZERO** tolerance to examination cheating

QUESTIONS : SECTION A (Compulsory)

QUESTION ONE – Case

The purchase department of M/S Best Cosmetics used a Master Production Schedule (MPS) to coordinate jobs as well as generate material & supply orders through its Manufacturing Resource Planning System (MRP). Updates to the MPS resulted in the MRP advancing, delaying or canceling any number of planned purchases. In addition, the inordinate delays in development of new designs and short notices given to arrange the supplies complicated the matters further.

Recent reports indicated that the procurement system had problems. The system relied upon an order forecasting method to anticipate supply requirements and avoid stock outs. Inaccurate forecasts forced buyers to cancel orders or return supplies of some items to prevent excessive inventories. Even when forecasts were correct, the long lead-time on some supply items resulted in stock outs. The prolonged New Design Developments and shorter lead-times given for procurements made these problems worse. In some cases, small order sizes as well as limited storage space at the Job-Workers complicated the matter further.

In light of these and other problems, the Management had initiated a number of programs to improve the purchasing operations and profitability. These programs covered a number of areas including cost reduction, vendor development, ordering and buying policy review and lead-time reduction. Despite these efforts, Best Cosmetics needed to ensure that the materials were available to support ongoing changes. The Purchase Manager needed to identify some alternatives to improve supply/material availability.

Questions:

- a) State the immediate steps to be taken by the purchasing management to solve the problems.

(10 marks)
- b) How would you improve the purchasing system? Give your suggestions.

(10 marks)
- c) What Modern Techniques/Tools would you suggest to improve the efficiency of Purchase Department and why?

(10 marks)

(30 Marks)

QUESTIONS : SECTION B

QUESTION TWO

- a) Consider the purchase of a can of soda at a Supermarket. Describe the various stages in the supply chain and the different flows involved.

(10 marks)

- b) "The purchasing function can easily make a contribution to profitability". Discuss this statement using relevant examples

(10 marks)

(20 marks)

QUESTION THREE

- a) How do lead times and forecast errors affect supply chain performance?

(10 marks)

- b) The level of stock to be maintained by business entities will vary from one organization to another. Discuss any FIVE factors that would influence the stock holding policy in an organization.

(10 marks)

(20 marks)

QUESTION FOUR

- a) Modern day enterprises are opting for strategic outsourcing in order to remain competitive in today's global markets. Discuss the benefits an organization is likely to enjoy from outsourcing of non-core functions.

(10 marks)

- b) "Prevention of fraud in relation to suppliers depend on sound internal control, internal and external auditing? State any FIVE control mechanisms to be instituted to prevent fraud.

(10 marks)

(20 marks)

QUESTION FIVE

Using examples discuss the application of the following in procurement

- (a) Procurement negotiations (5 marks)
- (b) Total quality management (5 marks)
- (c) 5R's of purchasing (5 marks)
- (d) Green procurement (5 marks)

(20 marks)