



KENYATTA UNIVERSITY

EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (PROCUREMENT AND SUPPLY CHAIN MANAGEMENT)

BMS 834: PROCUREMENT PROCEDURES AND POLICIES

2ND SEMESTER 2020/2021

TIME: 3 HOURS

INSTRUCTIONS: Answer question ONE and any other THREE

Case study

READ THE CASE STUDY BELOW TO HELP YOU ANSWER QUESTION ONE

Cherry Blossom Co (Cherry) manufactures custom made furniture and its year end is 30 April. The company purchases its raw materials from a wide range of suppliers. Below is a description of Cherry's purchasing system.

When production supervisors require raw materials, they complete a requisition form and this is submitted to the purchase ordering department. Requisition forms do not require authorisation and no reference is made to the current inventory levels of the materials being requested. Staff in the purchase ordering department uses the requisitions to raise sequentially numbered purchase orders based on the approved suppliers list, which was last updated 24 months ago. The purchasing director authorises the orders prior to these being sent to the suppliers.

When the goods are received, the warehouse department verifies the quantity to the suppliers despatch note and checks that the quality of the goods received are satisfactory. They complete a sequentially numbered goods received note (GRN) and send a copy of the GRN to the finance department.

Purchase invoices are sent directly to the purchase ledger clerk, who stores them in a manual file until the end of each week. He then inputs them into the purchase ledger using batch controls and gives each invoice a unique number based on the supplier code. The invoices are reviewed and authorised for payment by the finance director, but the actual payment is only made 60 days after the invoice is input into the system.

QUESTION ONE

- a) Identify and explain FIVE deficiencies. (10 marks)
- b) Explain to the management the steps in a Standard Procurement Cycle. (10 marks)
- c) Explain the factors that could enable management of Maintenance, Repair and Overhaul (MROs) products and consumables. (10 marks)
- d) Explain the steps involved in implementing a green procurement program. (10 marks)

INVOLVEMENT IN ANY EXAMINATION IRREGULARITY SHALL LEAD TO DISCONTINUATION

QUESTION TWO

A manufacturer of electrically powered tools for the engineering industry consists of four separate business units, each of which undertakes its own purchasing activities. Discuss the benefits of centralising all purchasing activities and those of retaining the present decentralised structure.

(20 marks)

QUESTION THREE

Software Development Inc (SDI) develops and markets a range of business applications and products. It has its own product development resource but also uses external contractors where expertise is not available in house. Describe the kind of risk management process in procurement the firm can adopt.

(20 MARKS)

QUESTION FOUR

- a) Explain the benefits of category management to the various stakeholders (10 marks)
- b) Explain the Benefits of Green Procurement. (10 marks)

QUESTION FIVE

- a) Explain the performance measurements that businesses can use to measure purchasing performance. (10 marks)
- b) Explain the advantages of global outsourcing. (10 marks)