KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF COMMERCE (PROCUREMENT)

BMS 427: INTERNATIOINAL PURCHASING

DATE: Friday, 2nd February 2018 **TIME:** 4.30 p.m. - 6.30 p.m.

INSTRUCTIONS:

Answer **Question ONE (Compulsory)** and **ANY other two** questions

QUESTION ONE (30 MARKS)

Kwato Kenya Limited is a local company incorporated in Kenya. It imports oil from Middle East and refines it locally. The locally refined oil is then sold to customers in the East Africa Community market. The Supply Chain Director, Mr. Otieno has been experiencing several risks when importing crude oil from Middle East. When Turkana Ngamia I was commissioned to start crude oil extraction, Mr. Otieno was very happy because he felt that some of the risks would soon end.

The other news is that Uganda and Tanzania have huge oil deposits as well. With the East Africa Community regional trading block about to be fully operationalized, Kwato Kenya Ltd has decided to recruit an international purchasing consultant to help them source the crude oil from Uganda and Tanzania.

Required:

(a) Outline the difference between global sourcing and international purchasing. **(4 Marks)**

(b) Assess FOUR risks that Kwacho Kenya Ltd is likely to face when importing crude oil from Middle East. **(8 Marks)**

(c) Highlight THREE main import documents required by customs department for the crude oil to be cleared at the port. **(6 Marks)**

(d) Highlight SIX sources of information for overseas sourcing. **(6 Marks)**

(e) Justify the use of sea transport over air transport when moving crude oil from the Middle East to Kenya. **(6 Marks)**

QUESTION TWO

(a) When a firm is importing goods from abroad, it is important to make various considerations on the packaging materials to use. Discuss. **(10 Marks)**

(b) Countries impose trade barriers on the movement of goods across their borders for a variety of reasons. Describe FIVE trade barriers which can be used in international trade. **(10 Marks)**

QUESTION THREE

(a) Transportation is one of the most important elements that should be considered in international purchasing. Discuss. **(10 Marks)**

(b) Highlight FIVE examples of commonly used warning labels seen on packaging when transporting goods internationally. **(10 Marks)**

QUESTION FOUR

(a) Discuss the modes of payment an organization may use when buying goods from another country. **(10 Marks)**

(b) International Commercial Terms are created to provide better understanding to both the buyer and supplier in global transactions.

Required

(i) Describe THREE roles of Incoterms in international purchasing. **(6 Marks)**

(ii) Identify when the risk in the goods is transferred from the supplier to the buyer in the case of the following Incoterms.

- FOB contract **(2 Marks)**
- CIF Contract **(2 Marks)**