

2903/201 NIBS  
PURCHASING MANAGEMENT  
July 2018  
Time: 3 hours



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**  
**DIPLOMA IN SUPPLY CHAIN MANAGEMENT**  
**MODULE II**  
**PURCHASING MANAGEMENT**

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of SEVEN questions.  
Answer any FIVE questions in the answer booklet provided.  
All questions carry equal marks.  
Candidates should answer the questions in English.*

**This paper consists of 2 printed pages.**

**Candidates should check the question paper to ascertain that both pages are printed as indicated and that no questions are missing.**

1. (a) Explain **five** factors that have contributed to the use of cross-functional teams in procurement operations. (10 marks)
- (b) Explain **five** ways in which procurement function can help an organization in providing the right quality of products to customers. (10 marks)
2. (a) Highlight **six** features of an oligopolistic market. (12 marks)
- (b) Explain **four** factors that determine the status of the procurement function in an organization. (8 marks)
3. (a) Migaya manufacturing firm is in the process of drafting a contract with one of its suppliers. Explain the details that may be included in the pricing schedule of the contract. (10 marks)
- (b) Explain **five** measures that an organization may adopt to mitigate the risks associated with procurement negotiations. (10 marks)
4. (a) Explain **five** features of a good investment appraisal technique. (10 marks)
- (b) Explain **five** reasons why observing ethical behaviour is important to purchasing staff. (10 marks)
5. (a) Maziwa Company Limited is in the process of assessing suppliers to be considered for development. Explain how this move may benefit the company. (10 marks)
- (b) Explain **five** circumstances under which collaborative negotiation approach may be used in purchasing operations. (10 marks)
6. (a) The procurement function performs different tasks at various levels of management. Highlight **five** tasks it performs at the operational level. (10 marks)
- (b) Explain **five** ethical principles that should be observed by procurement staff in the Kenyan public sector. (10 marks)
7. (a) Explain **five** benefits that will accrue to an organization that puts in place an effective quality control system. (10 marks)
- (b) Ujuzi manufacturing firm has entered into a contract based on the supplier's terms. Explain **five** disadvantages of such a contract. (10 marks)

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