

2903/201

PURCHASING MANAGEMENT

July 2019

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) A certain organization has decided to outsource its procurement function. Explain the benefits that the organization may derive from this decision. (10 marks)
- (b) Outline the importance of applying the lifecycle costing technique in the purchasing operations of an organization. (10 marks)
2. (a) Many buying organizations prefer to enter into long term contractual relationships with their suppliers. Outline the benefits that may accrue to organizations from such relationships. (10 marks)
- (b) Explain the factors that may influence an organization to adopt the cross-functional team-work approach in its procurement operations. (10 marks)
3. (a) Successful negotiators exhibit certain characteristics during contract negotiation process. Outline such characteristics. (10 marks)
- (b) Outline the circumstances under which it would be appropriate to adopt the decentralised purchasing structure in an organization. (10 marks)
4. (a) Kambii Limited intends to implement a quality assurance system in its procurement operations. Explain the ways in which the objectives of this system may be achieved. (10 marks)
- (b) Explain the factors that may motivate the procurement staff to be involved in unethical behaviour while carrying out their duties in an organization. (10 marks)
5. (a) You have been assigned the task of evaluating the performance of suppliers in your organization. Outline the factors you would consider when carrying out this task. (10 marks)
- (b) Outline five types of costs that are associated with the management of quality in an organization. (10 marks)
6. (a) Explain the disadvantages of buying materials from an oligopolistic supplier. (10 marks)
- (b) Explain the factors that an organization should consider when choosing an investment appraisal method to use for its projects. (10 marks)
7. (a) Outline the importance of the contract document in purchasing and supply operations of an organization. (10 marks)
- (b) Explain five situations in which a buyer may be considered to be in a strong position as compared to the supplier with regard to bargaining power analysis. (10 marks)

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