

THE COOPERATIVE UNIVERSITY OF KENYA
END OF SEMISTER EXAMINATION NOVEMBER 2016
EXAMINATION FOR THE DIPLOMA IN PURCHASING AND SUPPLIES
MANAGEMENT
UNIT CODE: 1101
UNIT TITLE: PRINCIPLES OF PURCHASING

Question One

- A) Define the term procurement **5mks**
- B) State five activities of purchasing **5mks**
- C) What are the advantages of (ESI) Early Supply activities in product development **8mks**
- D) Give five Factors of a valid contract in purchasing **5mks**
- E) What areas do we consider when appraising a supplier **7mks**

Question Two

- 1. Discuss the five Rights of Purchasing **10mks**
- 2. What is single sourcing and its benefits **10 mks**

Question Three

- 1. What 5 reasons lead us to outsourcing? **10mks**
- 2. What are the five benefits of standization –ISO9000:2000 **10mks**

Question four

- 1. Describe the possible **contents** of specifications in purchasing **10mks**
- 2. What activities can be Decentralized in purchasing **10mks**

Question five

- 1. Describe briefly the relationship between purchasing and four other departments of your choice **10mks**
- 2. What are the benefits of Ethics in an organization **10 mks**

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Question one

(a)Procurement-Totality of acquisition of goods and materials- sourcing, research and development, supply evaluation, supply contracts,receiving materials and storage facilitating.

(b) Purchasing activities

1. Identify potential suppliers
2. Receiving of goods
3. Advertising for tender and awarding of contracts
4. Price negotiations and determination
5. Facilitating payments
6. Maintaining purchasing records and communication with suppliers
7. Gathering requirements from departments

(c)ESI-Advantages

1. Cost reduction
2. Reducing risk in product development
3. Enhances partnership and alliances with supplier
4. Gaining market knowledge
5. Access to new technologies
6. Gaining competitive edge in the market

(d)Valid contract

1. offer and acceptance
2. capacity of parties above18 years sound mind
3. enforceable by law-legality
4. consideration –price for which the promise of another is bought [the gain]
5. free consent –Agreed upon the same thing in the same sense
6. lawful object- not void or illegal ,fraudulent

(e) Appraising a supplier

1. His infrastructure and facilities
2. His financial stand and ability
3. Technical knowledge
4. His manpower capacity
5. Quality maintenance ability and contingency

6. History of his performances else where

Question two

(a) 5 Rights

Right quality, right quantity, right price, right source, and right time

(b) Single Source – from one source

Benefits

1. Lower cost due to Economies of scale
2. More influence; collaborations relationships
3. Able to control quality /efficiency
4. Freight logistics cost are lower and better coordinated
5. On time delivery
6. Emergencies and just in time(JIT) orders possible

Question Three

(a) Outsourcing

1. To gain access to the world standards capabilities
2. To improve organization focus, manager-to core jobs
3. To make capital funds available
4. Reduce staff cost and staff management problems
5. Reduce risks by sharing the knowledge with suppliers

(b) Benefits of standardization

1. Quality assurance and of high standards
2. Assists the organization to access new world markets
3. Opens up to New Technological Developments
4. Comparison with similar industries gaining credibility
5. Less dependence on specialists
6. Reduces costs by minimizing wastes, errors
7. Accurate comparison of quotations to all prospective suppliers

Question four

(a) Specifications

1. A detailed description of an item
2. Quality weight size etc
3. Accurate requirements from the purchaser
4. Brand names
5. Technical requirements
6. Approved by relevant authority and company stamp
7. Typed on local purchase order with unique reference number.

(b) Decentralized Activities

1. Branch business or division at different locations from the main headquarter
2. Small value orders, maintenance or repairs on branch organization
3. Materials only needed and available by the Branch organization
4. Social infrastructure at the locality
5. Small staff purchases at branch level e.g Tea, food, transportation
6. Where a company is manufacturing different commodities at different localities

Question five

(a) Relationships, Examples

1. Purchasing, Research and Development Department

- Collaboration on unique materials
- Technical needs for research
- Early suppliers involvement of new products development etc

2. Purchasing and Production Department

- Suppliers to production
- Timely delivery to avoid shortage
- Development of diversifications of products

Purchasing and logistics Department

- Bulk transporting lower cost
- Networking for transportation

(b) Ethics Benefits

1. To avoid conflicts between staff to staff and staff to suppliers
2. To raise the standards of purchasing procedure-(protocols)
3. Confidential information protected
4. To check on hospitality and business gifts from suppliers
5. To maintain common policies with the whole organization for cordial relationships
6. To maintain loyalty to the employer