

2903/201

PURCHASING MANAGEMENT

November 2016

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 the importance of the purchasing function in an organisation. (10 marks)
(b) ABC Company Limited has adopted the project approach in organising its purchasing function. Highlight the reasons that may have influenced such a decision. (10 marks)
2. (a) Outline the benefits that may accrue to an organisation from adopting the Failure Mode and Effect Analysis (FMEA) quality assurance technique. (10 marks)
(b) Explain five ways through which an organisation may build and maintain good relationship with its suppliers. (10 marks)
3. (a) Jawaki Manufacturers has decided to adopt the fixed pricing strategy for its purchases. Highlight the advantages of adopting such a strategy. (10 marks)
(b) Explain the factors that may influence an organisation's decision to enter into a Target Cost Contract with a supplier. (10 marks)
4. (a) The management of Jatcom Company Limited intends to appoint a negotiator for its purchasing contracts. Advise the management on the qualities that such a person should possess to be effective. (10 marks)
(b) Kin Company Limited uses the expert opinion approach in forecasting its purchasing requirements. Explain the limitations of such an approach. (10 marks)
5. (a) Highlight the advantages of the win-win style of negotiation for purchase contracts. (10 marks)
(b) Explain the challenges that the Ethics and Anti - Corruption Commission (EACC) may be experiencing in dealing with unethical practices by public procurement officers. (10 marks)
6. (a) Highlight the factors that may influence an organisation to adopt international quality standards. (10 marks)
(b) Highlight the principles that guide procurement officers when undertaking procurement activities in the public sector. (10 marks)
7. (a) The Management of Watu Wote Company Limited has decentralized its purchasing function. Highlight the factors that may have influenced such a decision. (10 marks)
(b) Jirum Company Limited prefers undertaking bulky purchases. Explain the reasons that may account for such a preference. (10 marks)

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