



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF MANAGEMENT SCIENCE

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN PROCUREMENT AND MATERIALS MANAGEMENT

BPC 2203: PURCHASING PRINCIPLES AND TECHNIQUES

END OF SEMESTER EXAMINATION

SERIES: APRIL 2022

TIME: 2 HOURS

DATE: APRIL 2022

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of Five questions. Attempt question ONE (compulsory) and any other TWO questions C.

Do not write on the question paper.

Question ONE

- a. A company may use one or a combination of purchasing methods to make a purchase for especially raw materials and other consumables. Briefly describe any FIVE of such techniques of purchasing.

(10 marks)

- b. Explain any FIVE advantages of describing a purchase/item by using specifications.

(10 Marks)

- c. Whether to negotiate or request for bids is a decision that confront purchasing managers. Present any FIVE situations when negotiations can be an ideal technique for selecting suitable suppliers from the supply market.

(10 marks)

Question TWO

- a. Explain briefly FIVE objectives a good purchasing function is intended to achieve for an organization

(10 marks)

- b. Explain in brief any FIVE functions of a purchase requisition that emphasize its importance in the purchasing cycle.

(10 marks)

Question THREE

- a. Quality can be understood from different dimensions by different buyers in different situations. However, quality in our context must be specific. Define quality as used in purchasing and explain in brief how a buyer and supplier can determine quality.

(10 marks)

- b. A buyer has a number of techniques that he/she can use singly or in combination to ascertain the suitability of a supplier. Briefly describe any FIVE such techniques used to evaluate suppliers for suitability.

(10 marks)

Question FOUR

- a. Briefly explain the techniques professional purchasing managers can use to do price analysis determine right price.

(10 marks)

- b. Explain FIVE situations under which bulk order quantity can be a preferable method to use when buying for especially raw materials for a manufacturing concern.

(10 marks)

Question FIVE

- a. Describe briefly the steps normally followed in the tendering process for especially raw materials in public organizations.

(10 marks)

- b. Outline any FIVE of the various activities carried out in the pre-negotiation phase/stage of the negotiation procedure.

(10 marks)

BPC2203 PURCHASING PRINCIPLES AND TECHNIQUES A
MARKING SCHEME

Answer one

- a. Techniques of purchasing a company may adopt
- Bulk purchasing
 - Hand to mouth/zero stocking
 - Speculative purchasing
 - Contract purchasing
 - Scheduled purchasing
 - Cooperative purchasing etc.

Any five well answered @2 each =10 marks

- b. Advantages of describing a need/purchase by specifications
- Specifications provides evidence that thought and careful study have been given to the need and the way in which it may best be satisfied
 - They provide an opportunity for producing identical products from a number of different suppliers that can meet the intended need
 - Specification establish a standard for measuring and checking materials and other resources and thereby preventing delays and wastes that could occur with improper development
 - A potential exist for equitable competition since the bidders/suppliers are quoting for exactly the same product
 - Most specifications shift the responsibility of product performance to the supplier.
 - They provide evidence of requirements in the event of a dispute arising between the purchaser and the supplier
 -

Any five well answered @2 each =10marks

- c. Situations when negotiation can be an ideal technique for potential suppliers
- Any of the predetermined criteria for competitive tendering are missing or are not applicable

- The purchase requires agreements about a wide range of performance factors beyond just price such as quality risk sharing delivery schedule service and support
- When the supplier can not accurately determine the risk and costs
- When the supplier requires a long period of time to develop and produce items and thus unable to estimate price accurately
- The buyer wants early supplier involvement
- The supplier is a monopoly

Any five well answered @ 2 each = 10 marks

Answer two

a. Objective of purchasing function;

- Continuous supply into an organization with the flow of materials components services to meet its requirements
- Cultivate and maintain effective relationship in suppliers while developing new ones
- To buy efficiently through ethical means and strive to obtain best of value of money
- Maintaining a cooperative relationship with other departments of the organisations
- Maintain correct quality and value balance
- To acquire best on principles of rights
- To monitor the market trends

Any five answered @ 2 each =10 marks

b. Functions of a purchase requisition that emphasize its importance.

- communicate the users need to the concern ie the procurement department, materials, control department and the stores.
- provides information to be a basis for writing the products specification and therefore describing the need adequately.
- is used to seek authority from the concerned superiors in the organization.
- forms a basis for writing a purchase inquiring thereby initiating the procurement process.
- it is used as a point of future reference for whatever purpose.

c.

Any five well answered @2 each =10marks

Answer three

a. Definition of quality and determinants

Defined as fit for the purpose or meeting customer requirement/standard

Determinants;

- Complete and appropriate specifications
- Technical and production capability
- Development of understanding
- Supplier quality-cost and performance balance

All well answered @ 2 each =10 marks

b. Techniques used to evaluate suppliers;

- Financial condition analysis
- supplier survey
- third party evaluators/opinions
- personal visit
- evaluation processes

All well answered @2 each =10 marks

Answer four

Techniques for determining the right price

- price competition
- regulated price
- catalogue price
- market price
- historical price
- internet price

Any five well answered =10 marks

- a. Situation under which bulk order quantity is preferable;
- when a company wants to capitalize on benefits of discounts and economies of scale
 - companies must meet an expected demand without straining
 - to safeguard on seasonal/cyclical demands and supply
 - rapid replenishment is required
 - company has capacity for safe storage
 - need for maintaining production levels consistently and price stability whatever the season/situation

Any four well answered @ 2 each= 8 marks

Answer five

- a. Steps in the tendering process
- Issue of public advertisement
 - Response and issue of tender documents
 - Opening of tenders
 - Analysis/ evaluation of tenders
 - Notification to the tenderers

Any five well answered @ 2 = 10 marks

- b. The activities normally carried out in the pre-negotiation phase /stage of the negotiation procedure
- Identifying negotiators
 - Identifying the venue
 - Gathering intelligence
 - Determining objectives
 - Determining strategies and tactics
 - Conducting a dummy run

Any five @ well answered @ 2 = 10 marks