

2903/201

PURCHASING MANAGEMENT

November 2021

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) Lima Limited is in the process of choosing an investment appraisal technique for the projects it intends to undertake. Explain **five** factors that the organization may consider in the choice of the technique. *affordability acceptance* (10 marks)

(b) Explain **five disadvantages** to an organization of using the **decentralized purchasing** structure in the supply chain management operations. *quality* (10 marks)

2. (a) Outline **five** measures that an organization may take to enhance quality assurance in its purchasing operations. (10 marks)

(b) The **cost of production** incurred by a **supplier** may vary from **time to time**. Explain **five** factors that may cause such variation. *price* (10 marks)

3. (a) Outline **five** characteristics of a perfect supply market structure. *Goods are delivered in time* (10 marks)

(b) Explain **five** behaviours that a purchasing officer is expected to exhibit during the opening phase of a negotiation with a supplier. (10 marks)

4. (a) Outline **five** ways in which a purchasing organization may develop its suppliers. *training, policy, offering a report, offering allowances* (10 marks)

(b) The supplies management professional body in the country has developed a code of ethics for the purchasing professionals. Explain **five** purposes that such a code may serve. *ethical, listening skills, good decision making, accountability, reliable* (10 marks)

5. (a) A certain organization has been experiencing **delays in the inspection of goods** delivered by its suppliers. Outline **five** likely causes of such delays. (10 marks)

(b) Explain **five** factors that may influence an organization to change the **design** of its purchasing structure. *centralized, decentralized* (10 marks)

6. (a) Explain **five** requirements that an offer should fulfil in a purchase contract. *Date, Time, Details, Name, Offer* (10 marks)

(b) Outline **five** circumstances which may favour the use of the **(integration negotiation)** approach in purchasing contracts. *When there is need to buy in force, win-win situation, long term suppliers relationship* (10 marks)

7. (a) Outline **five** ethical behaviours that a purchasing manager should observe when dealing with suppliers. (10 marks)

(b) Outline **five** measures that a purchasing organization may take to ensure suppliers deliver goods to the right place. (10 marks)

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