****

**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR TWO**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 228**

**COURSE TITLE: PRINCIPLES OF PURCHASING AND SUPPLIES**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 19/08/2021 TIME: 09.00-2.00 AM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of THREE (3) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

**Read the following case carefully and answer the questions beneath**

Purchasing is the cornerstone of an organization because it describes the process of buying. The process of purchasing goods and services should be done effectively. Purchasing is an element of the wider function of procurement and it includes many activities involved in procuring goods and services optimally. Purchasing is purely responsible for obtaining the materials, parts, supplies and services needed to produce of a product or provide a service. When contemplating on procuring goods an organization can decide to make either large or small purchases, based on the size of the organization, resources available, the urgency of the demand and nature of products, among other considerations. In case of bulk purchases there are high volume items, large amount, and more frequent utilization with more specific use. Bulk purchases are handled in large organizations and multinational organizations with the standardized purchasing process, where as some other organizations use separate purchasing process. There are frequent misuse and lack of control in purchasing process in those organizations in which same standardized process is used for both bulk and small purchasing. Large purchases are typically non-urgent in nature. Large-volume, continuous-usage items can be covered by blanket purchase orders, which often involve annual negotiation of prices.

In case of small purchase there are low volume items, small amount, less frequency of utilization, high variety and low technical complexity. Mainly small purchases include machine parts, auto parts, machine repairs, in frequent sullies of offices and miscellaneous goods. Small purchases are urgent in nature. Purchasing for resale is mainly performed by retailers and wholesalers (called merchants). Purchasing for internal consumption or conversion constitutes industrial buying. In most literature, the terms like purchasing, procurement, supply chain, materials management, supply material and logistics are used interchangeably. Proper management of the purchasing process ensures optimization.

**Required**

1. Describe the stages of a purchasing process that should be adhered to by the Purchasing Officers in carrying out both bulk and small purchases. **10 marks**
2. Explain the benefits that would accrue an organization that practices effective management of the purchasing process. **12 marks**
3. Discuss the methods that would be used by purchasing officers for Specification of Requirements in the organization. **8 marks**

**QUESTION TWO**

1. Describe the principles that should guide procurement officers when performing purchasing functions in their organizations. **10 marks**
2. Explain the circumstances that would prompt purchasing officers to indulge in direct procurement of goods and services. **10 marks**

**QUESTION THREE**

1. Explain the conditions that would trigger a procurement officer of organization to conduct supplier appraisal. **10 marks**
2. Discuss the reasons that would justify an organization to engage in supplier evaluation. **10 marks**

**QUESTION FOUR**

1. Outsourcing goods and services is the best option for an organization to remain strategically competitive. Discuss. **10 marks**
2. Identify and explain the conditions that would prompt an organization to embrace Buy Decisions for its goods. **10 marks**

**QUESTION FIVE**

1. Explain the implications of adopting e-procurement by modern organization embracing technology on its activities. **10 marks**
2. Discuss the factors that have jeopardized organizations in their endeavor to adopt green procurement. **10 marks**