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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2017/2018 ACADEMIC YEAR TWO**

**THIRD SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

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

**COURSE CODE: BBM 228**

**COURSE TITLE: INTODUCTION TO PURCHASING AND SUPPLIES**

**EXAMINATION DURATION: 3 HOURS**

**DATE: 07/08/18 TIME: 2.00-5.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has SIX (6) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other THREE (3) questions from the remaining FIVE (5) 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)**

When IBM decided to enter the personal computer (PC) business in 1981, the company did not have the infrastructure in place to design and build a PC and the time to develop these capabilities. The company outsourced almost all major components of the PC e.g. micro-processors were designed and built by Intel and the operating system (software was provided by Microsoft. IBM was able to get these computers to the market within 15 months of starting the design by tapping into the exercise and resources of these companies.

Within 3yrs, IBM had replaced Apple as the number one supplier of PC and had a market share of over 40%. However, the down side to IBMs strategy soon became clear, as competitors such as Compaq were able to enter the market by using the same suppliers as IBM. By the end of 1995, IBM’s market share had fallen to less than 8% behind market leader Compaq.

**Required:**

1. Outsourcing is a management strategy by which major non –core functions are transferred to specialists, efficient, external providers. This strategy has risks and benefits. Refer to the case of IBM and discuss five risks associated with outsourcing **[10 marks]**
2. IBM outsourced almost all its major components of the PC. Assuming IBM decided to manufacture the components in house, discuss the benefits that the company would enjoy **[10 marks]**
3. Highlight five factors companies should consider in make or buy decisions **[5 marks]**

**QUESTION TWO**

1. Strategic sourcing is concerned with top level long term decisions relating to the acquisition of goods, services and works. Explain five types of sourcing decisions made at this level **[5 marks]**
2. The success of any manufacturing activity is largely dependent on the five Rights of procurement (5 Rs). Discuss the five Rights as used in purchasing and supplies **[10 marks]**

**QUESTION THREE**

1. Explain the benefits of Supplier Relationship Management to an organization **[5 marks]**
2. The procurement cycle follows specific steps from identifying a requirement or need of the company through the final step of the award of the product or contract. Elaborate step-by-step process of procurement **[10 marks]**

**QUESTION FOUR**

1. Define EDI and briefly explain how it is used in the management of purchasing activities **[5 marks]**
2. Specifications must be clear, accurate and complete otherwise will result to wrong procurement of goods/services/works. Define specification and explain four methods used in preparation of specifications and bidding document **[10 marks]**

**QUESTION FIVE**

1. Highlight the methods used to dispose unserviceable, surplus and obsolete stores as recommended by the Public Procurement and Disposal Act **[5 marks]**
2. Define green procurement and outline 8 key areas in which organizations can achieve green procurement. **[10 marks]**

**QUESTION SIX**

1. Explain the major business transformations in purchasing and supply chain management **[7 marks]**
2. Outline the eight advantages of effective management of the purchasing function **[8 marks]**