



**BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS MANAGEMENT
END OF SEMEMSTER EXAMINATION
SCM 1204 –PROCUREMENT OF GOODS, WORKS AND SERVICES**

DATE: Tuesday, 19th January 2021

TIME: 2 Hours

Instructions:

1. This examination consists of **FIVE** questions.
2. Answer Question **ONE (COMPULSORY)** and other **TWO** questions.

QUESTION ONE

Ready the case study below and answer the questions that follow

CASE STUDY – COAST HANDLING LIMITED (CHL)

Procurement

Coast Handling Limited (CHL) is a major manufacturer of materials handling equipment such as forklift trucks and mobile cranes. It has many reliable suppliers of material and equipment required for producing these types of equipment. When needing to find new suppliers, CHL uses sourcing methods such as researching the supply market to find suitable potential suppliers. Usually, it then uses tendering to find the best supplier.

Development

CHL is redeveloping its manufacturing plant and requires a complete new production line with all of the equipment and manufacturing machinery needed. Ideally, the equipment purchased will include the latest IT-based quality control systems and will be relatively straightforward to use. The equipment should also include systems that keep waste of materials to a minimum to reduce production costs. It would also be useful to find a supplier of the equipment that would be able to install it, service and maintain it as required. CHL needs to find a good, reliable supplier of this production line equipment at a very high quality and at a reasonable price.

Problems

CHL's procurement manager, Dexter Cross, believes that pre-qualifying suitable suppliers would be very useful in the supplier selection process for the production equipment. This could be linked to using tendering (competitive bidding) to select suitable suppliers. However, some of CHL's internal stakeholders are not in

favour of using a tendering process to find a suitable supplier. These include the management team that is in charge of the production process that the new equipment is required for, and the team responsible for overseeing the installation of the new equipment. These stakeholders would prefer to be involved in finding the right supplier by negotiating with known suppliers, instead of using the tendering process.

Much of the equipment will need to be of a bespoke nature. Dexter is currently searching the supply market, but is finding that there are not many suppliers that can fulfil these requirements. Therefore, Dexter has categorised the equipment as a 'strategic' purchase.

Another problem is that CHL's procurement manager and his team are relatively inexperienced at purchasing anything other than commonly used items and basic equipment. The supply markets for the commonly used items have usually had suppliers that have been located closely to CHL and have contained many suppliers.

Finally, if CHL purchases the production equipment internationally, the procurement manager will need to consider methods of payment. He has been advised that either 'confirmed' or 'irrevocable' letters of credit are the most secure payment method.

These questions relate to the case study and should be answered in the context of the information provided.

- a) Explain the term 'supplier pre-qualification' and how it might assist CHL's sourcing process. **(4 marks)**
- b) Outline **FIVE** supplier selection criteria that CHL's procurement manager might use when selecting suppliers. **(5 marks)**
- c) Financial checks on potential suppliers are important selection criteria for the identification and qualification of appropriate suppliers.
Explain **TWO** financial checks that CHL's procurement manager could use when sourcing suppliers. **(4 marks)**
- d) Highlight **TWO** advantages and **TWO** disadvantages for CHL of using open tendering process. **(4marks)**
- e) When carrying out the tender process, it is considered good practice to debrief unsuccessful bidders.
Outline **FIVE** topics that might be included by CHL in the debriefing process. **(5 marks)**
- f) Explain the meaning of the term 'letter of credit' in the context of payment mechanisms to international suppliers **(4 marks)**
- g) Explain **TWO** risks that CHL may be faced with when sourcing from international markets. **(4 marks)**

QUESTION TWO

- (a) Discuss **FIVE** examples of ethical or unethical behaviour that could be addressed in an ethical code

for procurement professionals. **(5 marks)**

(b) Distinguish between straight rebuy, modified rebuy and new buy and why the distinction is important in relation to sourcing. **(6 marks)**

(c) Explain THREE pre contract award activities in the procurement process. **(3 Marks)**

(d) Explain ways in which contract performance monitoring and review may be carried out in an engineering organization. **(6 marks)**

QUESTION THREE

(a) Differentiate between the following in the context of Procurement and Supply Chain Management **(2 marks each)**

- i. Procurement and Supply Chain Management
- ii. Independent and Dependent Demand
- iii. Backorder and Fillrate
- iv. Ordering cost and holding cost
- v. Risk identification and Risk assessment

(b) Explain the distinctive features of services procurement, detailing with relevant examples why its specifications would be different from other procurement types **(10 Marks)**

QUESTION FOUR

(a) A toy manufacturing uses 48,000 rubber wheels per year for its popular dump truck series. The firm makes its own wheels, which it can produce at a rate of 800 per day. The toy trucks are assembled uniformly over the entire year. Carrying cost is Shs. 100 per wheel a year. Setup cost for a production run of a wheels is Shs.4500. The firm operates 240 days per year. Determine the :-

- i. Optimal run size (optimal quantity produced). **(4 marks)**
- ii. Minimum total annual cost for carrying cost and setup. **(4marks)**
- iii. Cycle time for the optimal run size. **(1 mark)**
- iv. Highlight 3 assumptions of Economic Production Quantity. **(3 marks)**

(b) Performance management is an important productivity tool for procurement function. Using the balanced Scorecard (BSC), identify and explain **TWO** Key Performance Indicators (KPIs) in **FOUR** major Supply Chain activities whilst identifying the relevant BSC perspective **(8 marks)**

QUESTION FIVE

- (a) My-Eye Ltd intends to procure an access control system that meets its requirements in enhancing security management across the organization. There are many access control systems available in the market. The organization have an established ICT and security departments. Explain 4 reasons why My-Eye Ltd should prefer conformance specification among others **(8 marks)**
- (b) As a procurement specialist, explain **THREE** key questions that My-Eye Ltd should ask when drawing specification **(6 marks)**
- (c) In today's era of strategic supply chain Management, organizations grapple with the following key question in procurement process; "How upstream is upstream"?
With relevant examples, explain **THREE** reasons why an appropriate answer to this question determines the success of the whole organization's value chain **(6 marks)**