

Name _____

Index No. _____/_____

2803/301

**PURCHASING PRINCIPLES AND
TECHNIQUES**

November 2013

Time: 3 hours

Candidates Signature _____

Date _____



**THE KENYA NATIONAL EXAMINATIONS COUNCIL
DIPLOMA IN SUPPLIES MANAGEMENT**

PURCHASING PRINCIPLES AND TECHNIQUES

3 hours

INSTRUCTIONS TO CANDIDATES

Write your name and index number in the spaces provided above.

Sign and write the date of examination in the spaces provided above.

This question paper consists of SEVEN questions.

Answer any FIVE questions in the spaces provided in this question paper.

All questions carry equal marks.

Candidates should answer the questions in English.

For Examiner's Use Only

Question	1	2	3	4	5	6	7	Total Score
Candidate's Score								

This paper consists of 16 printed pages.

**Candidates should check the question paper to ascertain that
all the pages are printed as indicated and that no questions are missing.**

1. (a) You have been appointed the Purchasing manager of a newly established manufacturing firm operating in a competitive environment. The Management has assigned you the task of creating a horizontal structure for the purchasing department. Explain the main features you would consider in such a structure. (10 marks)
- (b) Discuss the use of failure mode and effects analysis (FMEA) as a quality management tool. (10 marks)
2. (a) Many organizations are using reverse auctions in their procurement procedures instead of the traditional off-line bidding process. Explain the advantages to the buyer of using this technique. (10 marks)
- (b) A manufacturing firm which had been experiencing a decline in business performance engaged a consultant to identify the problems. Among the recommendations submitted is that the firm should outsource its purchasing. As the head of purchasing function, the management has asked for your advice on this recommendation. Explain the principles on which you will base your advice on against the recommendation. (10 marks)
3. (a) Purchase price agreements are arrived at after considering various relevant factors. Explain the factors that the buyer would consider before accepting a purchase price. (10 marks)
- (b) Network analysis technique is often used in managing construction projects. Explain the ways in which the technique would facilitate purchasing operations in a construction project. (10 marks)
4. (a) Explain the various pricing policies that the supplier may use to remain competitive in the market. (10 marks)
- (b) The use of counter trade is increasingly gaining popularity in global business. Explain the role of purchasing function in counter trade in an organization. (10 marks)
5. (a) As a Purchasing Practitioner you have been requested by management to sign a contract for supply of large volume merchandise for resale in your organization. Explain the implied conditions in a purchase contract. (10 marks)
- (b) Buyers are requested to adhere to professional ethics in the discharge of their professional duties. Explain the ways in which ethical practices are likely to positively impact on the performance of purchasing function in an organization. (10 marks)

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- This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.