

UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT
END OF SEMESTER TWO 2013/2014
BACHELOR OF BUSINESS ADMINISTRATION AND MANAGEMENT II
FINAL EXAMINATION
PRO 2201: PROCUREMENT MANAGEMENT PRINCIPLES

Date: 7.5.2014

Time: 10.00 – 1.00 pm

Instructions

1. Attempt four questions in all
2. Question one is compulsory
3. Only 3 questions in part B should be attempted. Each of the questions in part B carry equal marks
4. Do not write any thing on this question paper

SECTION A – COMPULSORY

Question one

Late in the afternoon of March 23, Roger Cray, the Procurement Manager at Anderson Plastics, watched as his boss angrily left the room. It was the second time in a week that Roger had been blamed when the plant had run out of raw materials, and he wondered how he should address the materials management problems at the California plant.

Anderson Plastics Inc. is a large multinational supplier of plastic compounds, which constitutes the raw materials for a number of different plastic materials, such as polypropylenes, polyethylenes, styrenes, and nylons. Currently, Anderson Plastics operates 13 manufacturing plants in North America, Europe, Latin America, and Asia – Pacific regional which combined sales volume of about \$1 billion.

During the last decades, Anderson and its customers have moved to Just-In-Time systems (JIT), which requires Anderson to work closely with customers to schedule delivery of raw materials. The results have been a trend towards lower supply chain inventories. However, this has also increased the risk of stock outs, which could result in expensive downtime for Anderson customers.

Until two years ago, procurement at Anderson plastics had been a non centralized function, where each department was responsible for ordering its own raw materials. Because of management problems, such as excess inventory for some products while experiencing frequent stock outs of others, management decided to make a change to adopt a centralized procurement system. Roger Gray, a production supervisor at the plant with 16 years' experience, was moved over to take control of a newly created centralized procurement function for the plant.

As the plant expanded, the number of products that Roger had to keep track of rose from 250 to 550. It became increasingly difficult for Roger to manage inventory levels accurately. Often, the materials management system was a couple of days behind real time and so it did not reflect current inventory levels.

At other times, transportation problems, especially the chronic unreliability of the US rail system, caused shipment to be delayed.

Both of this week's stock outs were typical. The first had occurred because production had not informed Roger that a prime customer had suddenly ordered twice its usual requirements at a week earlier and had failed to record the quantities withdrawn from the inventory properly. Thus, Roger's record showed a significant amount of inventory still on hand. Today's incident had involved a shipment by rail from Texas that should have arrived four days ago but which had been mysteriously delayed in transit. The supplier had shipped on the proper date and was not at fault.

Required

- i. What are advantages of centralized procurement that has been adapted by Anderson plastics
(10marks)
- ii. Describe some of the likely challenges associated with centralized procurement (6marks)
- iii. Identify some of the problems that have been faced by Anderson Plastics (8marks)
- iv. As procurement specialist how would you solve such problems in (iii) above (8marks)
- v. Advise Roger Gray on how he can manage the persistent stock outs that Anderson Plastics is experiencing (8marks)

Section B

Question two

- a. The terms 'fraud' and 'corruption' are often misconstrued to mean the same by most people both in the public and the private sector. However, these two terms actually differ. As a student who has had a chance in understanding their difference, explain to your 'poor' friend in the village their meaning as used in procurement. Also remember to give the examples of supplies related fraud and their common red flags (12marks)
- b. Procurement fraud may not be entirely eliminated but can be greatly reduced. Suggest measures that can be applied in order to control fraud within organization (8marks)

Question three

- a. Vendor rating involves examination and comparison of bids with a view that only a good supplier is selected to provide supplies in conformity with the organizations requirements. State the principles of an efficient evaluation and describe any four necessary qualification of bid evaluation teams (10marks)
- b. Discuss the steps and activities that span the evaluation process. (10marks)

Question four

The Process of acquisition of items or requirements will always be preceded by removal or disposal of those that have either outlived their useful life or are no longer required by an organization.

- a. Why would an entity be interested in disposal of an asset? (8marks)
- b. Identify any six methods of public disposal of assets. (6marks)
- c. What are the major considerations in selection of a suitable disposal method? (6marks)

Question five

- a. Identify and explain any five types of contracts that may be used by entities in the public sector. (8marks)
- b. Explain the key considerations when selecting contract types in procurement. (6marks)
- c. What can go wrong if procurement contracts are not well managed? (6marks)

Question six

- a. As a newly appointed head of procurement in Old-Timer Distillers Ltd, your first assignment has been to acquire vehicles for staff field work since the old ones have outlived their useful life. As a head, prepare a sample plan for the purchase of the said vehicles. Who would you include on your team and why? (15marks)
- b. What are the qualities of a good plan? (5marks)

End of the question paper and good luck