

1903/202

**SUPPLY CHAIN MANAGEMENT AND  
PURCHASING PRINCIPLES**

July 2016

Time: 3 hours



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**

**CRAFT CERTIFICATE IN SUPPLY CHAIN MANAGEMENT  
MODULE II**

**SUPPLY CHAIN MANAGEMENT AND PURCHASING PRINCIPLES**

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of **FIFTEEN** questions in **TWO** sections: **A** and **B**.*

*Answer **ALL** the questions in Section **A** and any **FOUR** questions from Section **B** in the answer booklet provided.*

*Candidates should answer the questions in English.*

**This paper consists of 3 printed pages.**

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

**SECTION A (32 marks)**

*Answer ALL the questions in this section.*

1. Highlight **three** types of information which the purchasing department should share with finance department in an organisation. (3 marks)
2. State **four** methods of specifying quality of materials in purchasing operations. (4 marks)
3. List **three** factors which may influence an organisation to use the restricted tendering method when sourcing for material requirements. (3 marks)
4. State **three** advantages to an organisation of purchasing materials at the right time. (3 marks)
5. State **three** types of costs associated with purchasing goods in an organisation. (3 marks)
6. Identify **four** documents which may be required to facilitate inspection of incoming materials in an organisation. (4 marks)
7. List **three** disadvantages of using M-Pesa when making payments to suppliers. (3 marks)
8. Enumerate **three** disadvantages of using waterways in the transportation of goods. (3 marks)
9. State **three** types of information which may be entered in a materials inspection certificate. (3 marks)
10. Highlight **three** costs associated with containerisation. (3 marks)

**SECTION B (68 marks)**

*Answer ANY FOUR questions from this section.*

11. (a) Highlight **four** reasons that may influence an organisation to create a purchasing department in its structure. (8 marks)
- (b) A local manufacturing company has decided to source its raw materials from international markets. Explain **six** factors which may have influenced the Company to make such a decision. (9 marks)
12. (a) Highlight **four** types of costs which an organisation may incur in the preparation of materials specifications (8 marks)
- (b) Outline **six** sources from which a buyer may obtain information regarding prices of materials in the market. (9 marks)
13. (a) Explain **four** possible causes of delays in effecting payments to suppliers. (8 marks)
- (b) The supply market is sometimes characterised by price changes. Highlight **six** factors which may cause such changes. (9 marks)
14. (a) Explain **four** challenges which a buyer may experience when using air to transport goods from overseas suppliers. (8 marks)
- (b) Highlight **six** reasons of inspecting goods delivered by suppliers. (9 marks)
15. (a) Explain **four** advantages to an organisation of maintaining a list of approved suppliers for its material requirements. (8 marks)
- (b) Rock Company Limited has been experiencing increased ordering costs. Highlight **six** measures which the Company may take to minimise such costs. (9 marks)

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