

UNIVERSITY OF BOLTON

OFF CAMPUS DIVISION

SCMPC MALAYSIA

BSc (Hons) SUPPLY CHAIN MANAGEMENT

SEMESTER 2 EXAMINATION 2018/2019

PROCUREMENT MANAGEMENT

MODULE NO: SCM6002

Date: Saturday 15th June 2019

Duration: 2 hours

INSTRUCTIONS TO CANDIDATES:

There are six questions on this paper.

Answer any four questions.

All questions carry equal marks.

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Question 1

- Only modest hospitality should be accepted. Members should not accept hospitality which might influence a business decision, or which might appear to do so.
- The procurer should not engage in 'Dutch auctions' (i.e. where a procurer discloses Supplier A's price to Supplier B in order to get Supplier B to beat the price, then disclosing Supplier B's new price to Supplier A in order to get supplier A's price down, and so on).
- Tender information should be treated as confidential and kept securely.
- Business gifts other than items of a very small intrinsic value such as business diaries or calendars should not be accepted.
- Members must respect the confidentiality of information and must not use information received for personal gain. The information they provide should be true and fair

Analyse the FIVE practices as above.

Based on the practices as above, justify the importance of FIVE key principles of ethics as follows:

- | | | |
|-----|---------------------------------|-----------|
| 1.1 | Integrity | (4 marks) |
| 1.2 | Transparency | (4 marks) |
| 1.3 | Fair dealings | (4 marks) |
| 1.4 | Honourable behaviour | (4 marks) |
| 1.5 | Principles and rules of conduct | (4 marks) |

- Corrupt practice is inducing dishonesty in the other party's actions through "the offering, giving, receiving, or soliciting, directly or indirectly, anything of value"
- Collusive practice is attaining inappropriate purpose, involving inducing dishonesty in the other party's actions through arrangement between two or more parties".

1.6 Compare and contrast between corrupt practice and collusive practice as defined above. [5 marks]

[25 Marks]

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Question 2

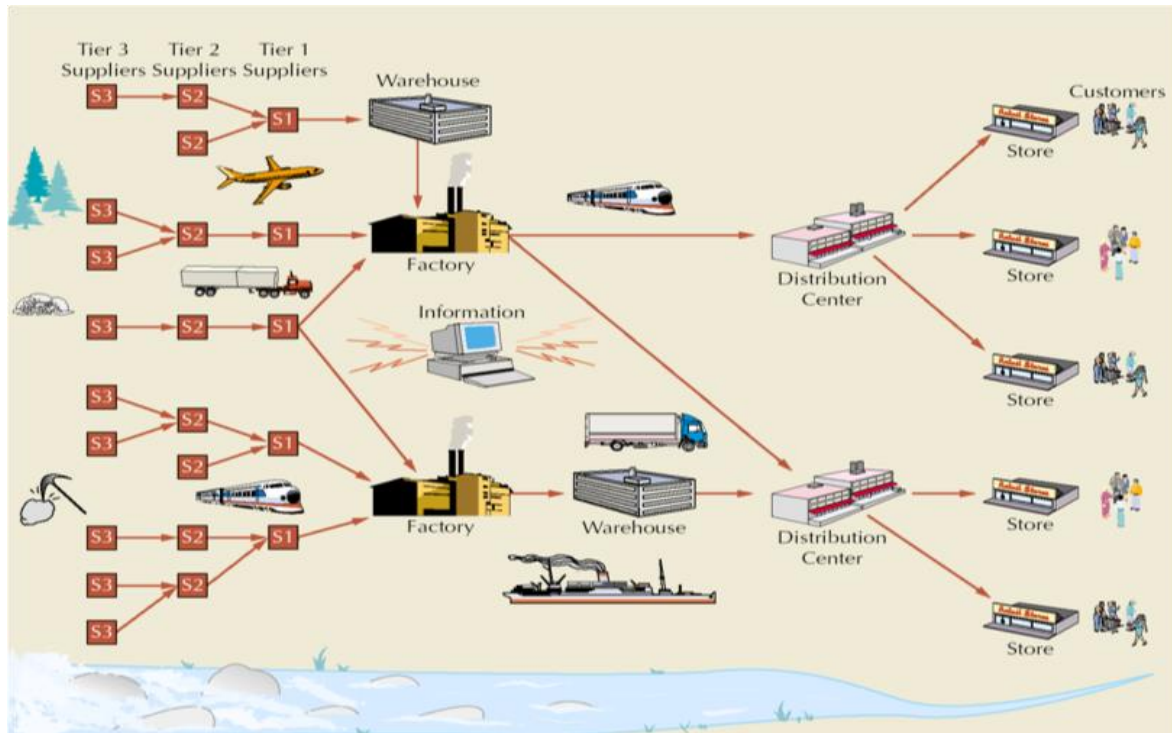


Figure 1: Generic Supply Chain

You are the procurement manager for the two factories indicated in Figure 1.

Answer the following:

- 2.1 The management has made a decision to replace existing machineries at both factories with new ones worth RM1 million. Justify THREE actions how as procurement manager you can contribute in the procurement of capital assets at best price. [9 marks]
- 2.2 What are the THREE procurement functions that can create value when dealing with tier 1 suppliers to the two factories. [9 marks]
- 2.3 Construct an Internal supply chain diagram for the two factories, which are typical manufacturing company. [7 marks]

[25 Marks]

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Question 3

- Procurement is the process undertaken by the organisational unit that, either as a function or as part of an integrated supply chain, is responsible for procuring or assisting users to procure, in the most efficient manner, required supplies at the right time, quality, quantity and price, and the management of suppliers, thereby contributing to the competitive advantage of the enterprise and the achievement of its corporate strategy (Lysons and Farrington, 2012).

3.1 In contributing to the competitive advantage of the enterprise and the achievement of its corporate strategy, justify the importance of right quality, quantity, time and price.

[12 marks]

- In terms of acquisition costs, frequent small orders may actually cost more (because of the extra transaction and transport costs) than fewer, large orders (subject to bulk discounts). However, fewer, large orders will incur higher stock holding costs (such as storage and insurance).

3.2 From the above situation, justify the needs for trade-off between the right quantity and right price.

[5 marks]

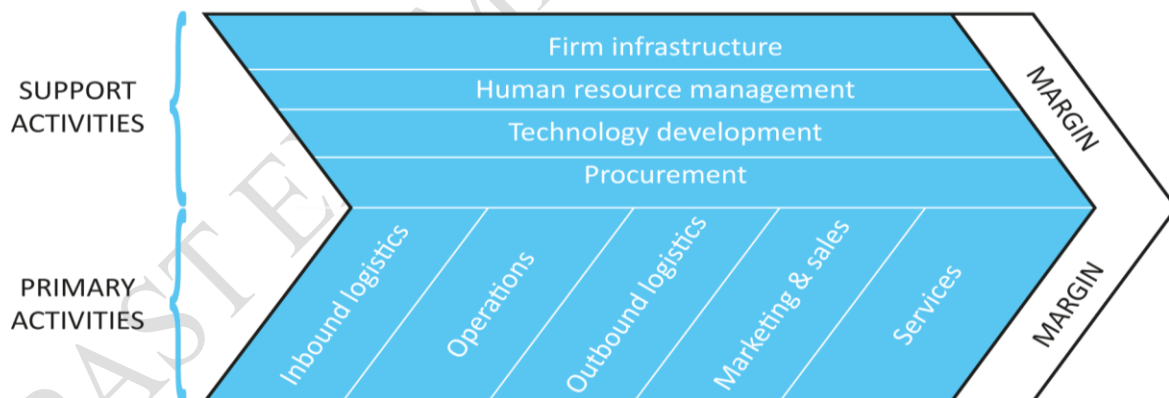


Figure 2: Porter's Value Chain

3.3 In relation to Figure 2, justify the importance of direct and indirect procurement to an organisation.

[8 marks]

[25 Marks]

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Question 4

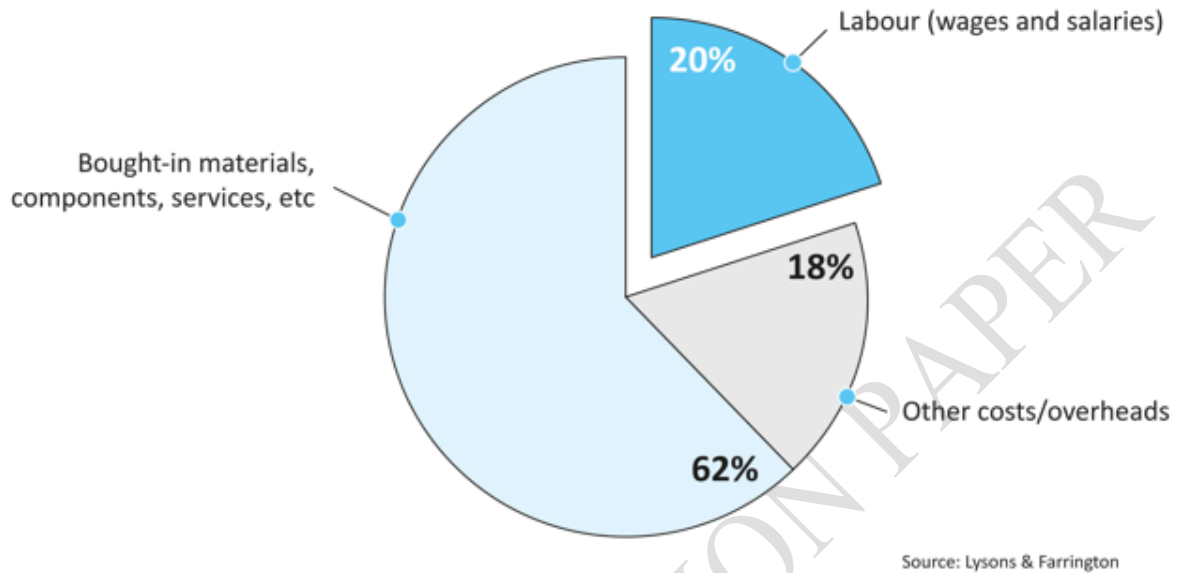


Figure 3: Typical proportion of organisational costs represented by procurement spend

4.1 From figure 3, what critical information can be deduced concerning procurement in an organisation. [3 marks]

4.2 In relation to Figure 3, justify THREE major scopes of procurement. [9 Marks]

4.3 Also, justify THREE procurement practitioner's contribution to added value. [9 marks]

4.4 Construct the three levels of procurement organisation pyramid, providing TWO activities for each level. [4 marks]

[25 Marks]

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Question 5

2010	Export customs declaration	Carriage to port of export	Unloading of truck in port of export	Loading on vessel in port of export	Carriage (Sea/Air) to port of import	Insurance	Unloading in port of import	Loading on truck in port of import	Carriage to place of destination	Import customs clearance	Import taxes
EXW	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FCA	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FAS	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FOB	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CPT	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Buyer/Seller	Seller	Buyer	Buyer
CFR(CNF)	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer/Seller	Buyer	Buyer	Buyer	Buyer
CIF	Seller	Seller	Seller	Seller	Seller	Seller	Buyer/Seller	Buyer	Buyer	Buyer	Buyer
CIP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer/Seller	Seller	Buyer	Buyer
DAT	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer
DAP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer
DDP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller

Table No. 1: INCOTERMS 2010 CHART

5.1 From table 1, which INCOTERMS is the best term if your company is entitled for duty and tax exemption. [2 marks]

5.2 Justify your selection from the aspects of seller and buyer responsibilities (cost of transportation, risk, insurance, import duty and sales tax) and processes involved to transfer goods from seller's warehouse to buyer's warehouse. [10 marks]

5.3 Construct a basic diagram to represent the selected INCOTERMS. [6 Marks]

5.4 Compare and contrast between EXW and FOB. [7 marks]

[25 Marks]

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Question 6

- The term supplier relationship management is often used interchangeably with the term 'supplier management'.
- The definition of supplier management is 'That aspect of purchasing or procurement which is concerned with rationalising the supplier base and selecting, co-ordinating, appraising the performance of and developing the potential of suppliers and where appropriate, building long term collaborative relationships' (Lysons & Farrington, 2012).

- 6.1 Justify THREE reasons the importance of supplier management. [9 marks]
- 6.2 After the sourcing, selecting and contracting of suppliers, suggest THREE procurers subsequent responsibilities: [9 marks]
- 6.3 As part of supplier management approach, justify THREE reasons when not to use competitive tendering. [7 marks]
- [25 Marks]**

-END OF QUESTIONS-