COVENANT UNIVERSITY
NIGERIA

TUTORIAL KIT
OMEGA SEMESTER

PROGRAMME: COMPUTER SCIENCE & MIS

COURSE: MKT 326
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QUESTION 1
Trace the genesis of purchasing as a management function and a field of study.

Answer
Students are to give chronological development of purchasing as follows;
- Largely clerical duties
- World war I and II shortages
- Emphasis on materials
- Developing purchasing strategies
- Integrating purchasing into overall corporate strategies
- Integrating purchasing and supply network and information technology

Question 2
Explain basic rules that guide negotiation activities.

Question 3
a) What do you understand by purchasing?

Purchasing is the act of identifying a need, supplier and selecting the supplier to obtain desired product at the right quality, quantity, price and to ensure efficient delivery at the right time.

b) Explain the roles of purchasing in an organization?

The roles are referred to as seven rights (7Rs). They are;
- To obtain right materials
- At the right quantity
- To be delivered at the right time
- To be delivered in the right place
- To obtain materials with the right source
- To obtain materials with the right service
- At the right service

Question 4
You have been asked to make preparation for the payment of a foreign supplier. What are the various means of payment you will consider?

Question 5
The survival of a business enterprise depends on the contributions of purchasing to the overall success of the organization.

The purchasing contributions are both strategic and operational in nature

**Operational contributions (trouble preventions)**
- Provide uninterrupted flow of materials and services
- Manage inventories
- Improve quality
• Develop suppliers
• Standardise
• Achieve lowest total cost
• Improve competitive positions
• Develop cross functional relations
• **Strategic contributions (Opportunity maximization)**
• **Direct Contributions**
  • Profit- Leverage Effect
  • Effect on ROA
• **Indirect Contributions**
  • Information source
  • Effect on efficiency
  • Effect on consumer satisfaction
  • Effect on image
• Training ground

**Question 6**
No department can function in isolation of others in the organization. Explain the functional relationship between purchasing and other departments.

**Question 7**
Enumerate and explain the advantages and disadvantages of centralization as a form of purchasing organization.

Centralized purchasing involves that designated individual or department is saddled with the responsibility of undertaking the buying function of the organization on behalf of all its units.

**Advantages**
- It reduces administrative duplications
- The purchase could be large enough to attract concessions or discounts
- It reduces competition for available supply during periods of shortage of materials
- It promotes standardization and uniformity of items purchased.
- It promotes administrative efficiency of the suppliers.

**Disadvantages**
- Specific local inventory needs and conditions may not be met
- Delay may be associated with centralized purchasing
- Lack of departmental autonomy
Response rate to emergency needs of the department may be slow

**Question 8**
Several documents are required in fulfilling purchasing functions in international purchasing. Identify and explain these documents.

**Question 9**
Purchasing functions involves sequence of steps, procedures and documentations. Identify and explain these sequences.
The purchasing steps or cycle include
- Recognition of needs
- Specification or description of requirements
- Selection of possible sources of supply
- Determination of price and terms
- Preparation of the purchasing order
- Follow-up and Expediting
- Receipt and inspection of Goods
- Processing discrepancies and mis-delivery of goods
- Storage and distribution goods
- Clearing the invoice and payment
- Suppliers evaluation and
- Maintenance of inventory records

**Question 10**
Purchasing decision involves a number of interrelated purchasing activities, identify and explain these purchasing activities

**Question 11**
What are the importance of receipt and inspection of goods?
- To ensure previous order has been honoured
- To ensure arrival of shipment in good conditions
- To check quantity and quality against specifications on the order
- To direct goods on arrival to the next destination for storage, inspection and use
- To register proper documentation of the receipt and send to appropriate parties.

**Question 12**
Identify and explain the four basic types of purchasing.

**Question 13**
Explain the main characteristics of public purchasing.
The characteristics of public purchasing can be explained based on:
- Source of authority
- Budgetary constraints
- Outside pressure
- Little formal inspection
- Restructuring of organization
- Lack of confidentiality
- Importance of specifications
- Difficulty in recognizing past performance.

**Question 14**
A purchasing officer is exposed to a number of temptations in the course of his duties, explain the code of ethics and the rule of conduct that guide his action.
**Question 15**
What are the objectives of public purchasing?
To ensure continued supply of requirements to meet needs
To avoid duplication and waste through standardization
To develop appropriate relationships and cooperation between suppliers and public buying agencies.
To ensure maximum savings through innovative and efficient supply and application of value analysis techniques
To maintain and improve quality standards in goods and services purchased

**Question 16**
Types of purchases can be treated from the perspectives of the nature of product bought. Elucidate

**Question 17**
Critically examine the reasons for international purchasing.
Reasons for international purchasing can be explained based on the following points;
- Price
- Quality
- Unavailability of items domestically
- Better technical service
- Technology
- Product features
- Marketing Tool
- Competitive clout
- Purchasing among international group

**Question 18**
Why is negotiation an indispensable aspect of purchasing activities?

**Question 19**
What are the possible problems of international purchasing?
Among the potential problems of international purchasing are;
- Source location and evaluation
- Delay in delivery and elongated lead-time
- Expediting
- Huge costs
- Political, labour and legal problems
- Currency problems
- Method of Payment
- Differences in specification and standard
- Challenges of rejects
- Tariffs and duties
- Documentation
- Language, culture and social norms

**Question 20**
Should negotiation be limited to price alone? What other areas in purchasing is negotiation applied.