

COVENANT UNIVERSITY  
NIGERIA

*TUTORIAL KIT*  
*OMEGA SEMESTER*

PROGRAMME: COMPUTER  
SCIENCE & MIS

COURSE: MKT 326

## DISCLAIMER

The contents of this document are intended for practice and leaning purposes at the undergraduate level. The materials are from different sources including the internet and the contributors do not in any way claim authorship or ownership of them. The materials are also not to be used for any commercial purpose.

# MKT 326: Principles of Purchasing and Supply Management

## 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.