KIBABII UNIVERSITY COLLEGE (KIBUCO)

MAIN CAMPUS

UNIVERSITY EXAMINATIONS
2014 /2015 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER EXAMINATIONS

MAIN EXAMINATION

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: BCH 344

COURSE TITLE: INTERNATIONAL PURCHASING

DATE: 16TH JANUARY 2015   **TIME:** 11.30-1.30 P.M

INSTRUCTIONS TO CANDIDATES:

Answer Question ONE and any other Two Questions

TIME: 2 Hours

SECTION A COMPULSORY (30 MARKS)

RF is a private limited company owned and managed by Bill Smith. He started the business after trying to buy a small number of fasteners to repair a piece of home furniture. At the same time retailers would only supply in boxes of 50/100 more suitable for commercial use. Bill realized that if he could buy a range of commonly used fasteners in bulk and pack them in smaller quantities, he would be able to sell them to home repairs and do it yourself markets. Bill also realized that he would be able to change a high mark up for his packed fasteners as the packs would appear to be a lower cost than larger boxed quantities currently on sale. RF now defines itself as suppliers of prepacked H/W teams. Over the years, RF has experienced growth and is now based in a modern industrial unit. Bill has continued with his strategy of buying a range of fasteners in bulk at the lowest cost, store, repackage and sell. The viability of this strategy is uncertain in the long term. Demand for warehouse is increasing, labour costs are rising and packaging machines need to be replaced requiring significant financial investment. RF feels its now the time to explore buying prepacked fasteners from international suppliers and has identified 3 sources. These international suppliers would undertake all the buying and packaging and supply direct to RF, who would store and distribute only. Bill recognizes various advantages to thus proposal but expresses some concerns.

a) Explain the 5 possible areas of risk if they decide to source supplies internationally and suggest how each can be mitigated   (15 marks)
b) Advice Bill on the possible advantages and disadvantages of either sourcing locally or internationally.   (10 marks)
c) Discuss the most common form of dispute resolution that Bill can embark on if he decides to source his supplies internationally   (5 marks)

SECTION B

QUESTION 2
a) Global supply chain has been important in the current global trade. Explain various benefits that accrue from having a global supply chain   (10 marks)
b) Explain the recent changes that have affected the global supply chain (10 marks)

QUESTION 3
a) What is meant by an incoterm? Explain 4 various incoterms that are used   (10 marks)
b) Discuss various payment mechanisms used in international payment   (10 marks)

QUESTION 4
a) There are various opportunities that can accrue from international sourcing, discuss
                                       (10 marks)
b) Explain the various ways of managing exchange rate risk in international purchasing
                                       (10 marks)

QUESTION 5
a) Identify various cultural differences that may affect negotiation in international purchasing   (10 marks)
b) Explain the various duties, taxes and non-tariff measurers used in international purchasing   (10 marks)