



CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART I

PROCUREMENT PLANNING



WEDNESDAY: 29 November 2017.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Explain FOUR potential benefits that will accrue to a procurement entity from a well-planned prequalification exercise. (8 marks)
- (b) Explain the meaning of the following terms as used in procurement planning:
- (i) Budgeting. (2 marks)
- (ii) Specific procurement notice. (2 marks)
- (c) Illustrate TWO methods that a purchasing organisation could employ to determine independent demand. (4 marks)
- (d) A procuring entity intends to initiate a Post Tender Negotiation (PTN) with a bidding company after a tender award exercise.

Propose TWO reasons why the procuring entity might have decided to conduct the post tender negotiation exercise.

(4 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Deep Sea Resources Ltd. is a company involved in oil exploration along the East African coast line. It budgeted the following use of materials during the year ended 30 September 2017:

Item	Quantity	Amount (Sh. per unit)
Quick setting cement	100 tons	40,000
Hydraulic oil	100,000 litres	500
Drilling bits	50 pcs	10,000
Grease	100 drums	5,000
Engine oil	10,000 litres	200
Casing	100 pc	2,000
Diesel	1,000,000 litres	100
Tents	200 pcs	2,000

The actual usage was as follows:

Item	Quantity	Amount (Sh. per unit)
Quick setting cement	150 tons	35,000
Hydraulic oil	120,000 litres	550
Drilling bits	400 pcs	12,000
Grease	80 drums	4,000
Engine oil	8,000 litres	180
Casing	110 pcs	2,200
Diesel	900,000 litres	95
Tents	150 pcs	1,500

Required:

Prepare Deep Sea Resources Ltd's budget and variance for each item.

(10 marks)

PL1.03 Page 1
Out of 2

- (b) Analyse FIVE reasons which may cause the final contract sum to be more than the initial contract sum. (5 marks)
- (c) Examine FIVE safeguards that may be considered at the planning stage to minimise the difference between the initial contract and the final contract. (5 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Developing a work plan is a critical step in procurement management.

Design a work plan that you would use in the procurement planning process. (10 marks)

- (b) Explain FOUR factors that may affect the choice of the procurement method to be adopted for a major construction project in the public sector. (4 marks)

- (c) To leverage benefits of the buyer-supplier relationship, a purchasing organisation has decided to adopt vendor managed inventory approach in its inventory management.

Enumerate SIX benefits that could accrue from the application of the above inventory management approach. (6 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Case Study

Mr. Malombe, a procurement manager in a public training institution in Nairobi County has been tasked with developing the institution’s strategic procurement plan for the next financial year. Consequently, he asked the user departments to forward their projected procurement proposal.

After two weeks, no user department had forwarded their proposal to beat the deadline. Mr. Malombe generated a procurement plan without the contribution of the user departments. Additionally, Mr. Malombe identified several redundant assets for disposal in the course of the financial year. Upon realising how the procurement and disposal plans were generated, the institution’s principal demanded that the whole planning exercise be repeated. He further directed that all the steps of the procurement planning be observed as provided for in the public procurement law.

Required:

- (a) Advise Mr. Malombe on the need for involving the user departments in procurement planning. (10 marks)
- (b) Propose to Mr. Malombe the procurement planning process that he should follow. (10 marks)
- (c) Evaluate how portfolio analysis can be used to generate a comprehensive procurement plan. (10 marks)
- (d) Examine FIVE ways that could be used to dispose off excess, surplus or obsolete stock in a procurement entity. (10marks)

(Total: 40 marks)

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