



(The University of Choice)

**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

MAIN

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: BCB 344

COURSE TITLE: INTERNATIONAL PURCHASING

DATE: WEDNESDAY, 3RD AUGUST 2022 TIME: 8:00 – 10:00AM

INSTRUCTIONS TO CANDIDATES

- Attempt question One and any other two questions
TIME: 2 Hours

This Paper Consists of 3 Printed Pages. Please Turn Over

Question One

ABC Ltd is a company registered in Kenya dealing in export and import business. It has over 10,000 employees in more than 5 countries in Europe, Asia and America. It is talented at detecting needs in emerging markets in China, United States, United Kingdom, France and Japan. The company spends 500 million shillings a year in research and development. It has employed anthropologists and psychologists who travel the globe to learn other cultures and incorporate relevant ones to business.

Part of the company's export portfolio includes offshore manufacturing, agricultural products, including flowers. It has been relying on its talent in the international markets to further and expand their business in the European community markets but has started facing resistance from the potential markets owing to Europe's imposed tariffs on Kenya's cut flowers. The tariffs have made the flowers significantly more expensive than those grown on European soil. The situation has been aggravated by Kenya's neighbors', Tanzania and Uganda's refusal to sign proposed regional trade deal with European Union citing concerns over Brexit. Members of EAC (Kenya, Uganda, Tanzania, Burundi & Rwanda) were due to sign an Economic Partnership Agreement with the EU to ensure the five nations continued to export goods to EU without incurring quotas or tariffs.

The Company's BOD is exploring various strategic options to access the target markets. Some of the options include Joint ownership, licensing among others. It has tasked the Group Marketing Director to consider these options and give feedback

- a) Discuss any five major challenges likely to be faced by ABC Co Ltd while trading with its partners in the global market (10 Marks)
- b) When things go wrong in commercial transactions, e.g. the buyer refuses to pay, the product is inferior, shipment arrives late, ABC Co Ltd may have various resolution actions. Discuss arbitration as a dispute resolution mechanism (7 Marks)
- c) Some of the options explored by ABC's BOD to access target markets include franchising and piggy-backing briefly explain each of those strategies (7 Marks).
- d) Penalties may be levied by customs for various offences committed in the course of importing and exporting goods. Referring to the case briefly describe four such offences (6 Marks)

Question two

- a) Customs generally employ various types of exams to properly address the type of hold and satisfy their curiosity. Elucidate the following types of exams (10 marks)
 - i. X-ray
 - ii. Tail gate
 - iii. intensive

- b) International sourcing requires additional efforts when compared to domestic sourcing but it can yield large rewards. Discuss five major benefits of international purchasing (10 marks)

Question three

- a) Companies buying overseas can minimize foreign currency risk exposure through several ways: Discuss those various ways supporting your argument with relevant examples (10 Marks)
- b) There is hardly any sector of the economy that is not directly or indirectly affected by the custom's activities. In light of the above discuss five major benefits of post clearance audit. (10 Marks)

Question four

- a) World Trade Organization (WTO) deals with global rules of trade between Nations. Briefly discuss five major functions of WTO (10 Marks)
- b) Write brief explanatory notes on the following import / export documents:-
- i) Consular invoice (5 Marks)
 - ii) Bill of lading (5 Marks)

Question Five

- a) To succeed in today's global market, exporters must offer their customers attractive sales terms supported by appropriate payment methods. Describe two major methods of payment in international trade (5 Marks)
- b) Describe any two political and economic risks likely to be encountered by the exporters or importers in the course of executing international transactions? (8 Marks)
- c) Write brief explanatory notes on the following INCOTERMS
- i) EXW (1 Mark)
 - ii) FCA (2 Marks)
 - iii) FOB (1 Mark)
 - iv) CIF (1 Mark)

