



University of Choice

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

**UNIVERSITY MAIN EXAMINATIONS
2022/2023 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER EXAMINATIONS
FOR THE DEGREE
OF
BACHELORS OF COMMERCE**

COURSE CODE: BCB 344

COURSE TITLE: INTERNATIONAL PURCHASING

DATE: WEDNESDAY, 7TH/12/2022 TIME: 3:00 – 5:00PM

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer other TWO questions
Do not write anything on the question paper

MMUST observes ZERO tolerance to examination cheating

Question One

Case Study

Farm Machinery plc (FMP) has been trading for nearly 100 years. The company started out making low priced tractors that could be used on small farms. FMP has now expanded and manufactures and supplies other types of farm machinery, such as spreaders, sprayers and combined harvesters. These, and many other high technology machines, are increasingly used on today's much larger farms.

FMP are based in the UK, where they have a large modern factory. The assembly of the tractors and other machinery takes place in a factory in the Midlands, but the components that the company uses in the production process come from many different countries, for example the engines are made in Germany. The company sells its products across the world, but faces competition from large multinationals that produce a similar range of machines.

FMP has recently appointed a new manager who works at the assembly factory. She is responsible for procurement and logistics and for ensuring that the production process operates as smoothly as possible.

- a) Discuss any four major challenges likely to be faced by Farm Machinery plc while trading with its partners in the global market (8 Marks)
- b) When things go wrong in commercial transactions, e.g. the buyer refuses to pay, the product is inferior, shipment arrives late, Farm Machinery plc may have various resolution actions. Discuss conciliation as a dispute resolution mechanism citing its merits and demerits (8 Marks)
- c) Describe four factors that Farm Machinery plc would consider in selecting the mode of transport suitable to transport its end products (8 Marks)
- d) There are various options that might be explored by Farm Machinery plc to access target markets globally. Briefly describe contract manufacturing and franchising as market entry strategies (6 Marks).

Question two

- a) Write brief explanatory notes on the following international purchasing terminology
- i) Letter of credit (4 Marks)
 - ii) Bill of lading (4 Marks)
 - iii) Trade boycotts and embargoes (3 Marks)
 - iv) Quota (1.5 Marks)
 - v) Voluntary export restraint (VER) (1.5 Marks)
- b) Penalties may be levied by customs for various offences committed in the course of importing and exporting goods. Briefly describe four such offences (6 Marks)

Question three

- a) Companies buying overseas can minimize foreign currency risk exposure through several ways: Discuss any four of those strategies supporting your argument with relevant examples (8 Marks)
- b) To succeed in today's global market, exporters must offer their customers attractive sales terms supported by appropriate payment methods. Describe three major methods of payment in international trade (6 Marks)
- c) Customs generally employ various types of exam to properly address the type of hold and satisfy their curiosity. Elucidate the following types of exams (6 marks)
- i. X-ray
 - ii. Tail gate
 - iii. intensive

Question four

- a) 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 four major benefits of post clearance audit. (7 Marks)
- b) Historically trade treaties were negotiated on bilateral basis and there was a tendency to raise trade barriers rather than extend markets and restore world trade. Describe four major purposes of International Monetary Fund (IMF) (7 Marks)

- c) Write brief explanatory notes on the following INCOTERMS
- i) CIP (2 Mark)
 - ii) DDP (2 Marks)
 - iii) FCA (2 Mark)

Question five

- a) Discuss Islamic law as one of the heritages that forms the legal system of the world (4 Mark)
- b) Examine the role of World Trade Organization (WTO) in facilitating increased World Trade (8 Mark)
- c) International sourcing requires additional efforts when compared to domestic sourcing but it can yield large rewards. Discuss four major benefits of international purchasing (8 Mark)