

KISM AND KASNEB

CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART I

PROCUREMENT PLANNING

TUESDAY: 24 November 2015.

Time Allowed: 3 hours.

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

SECTION A

QUESTION ONE

As a procurement planning specialist you have been tasked with ensuring that all goods, works and services are budgeted for at current market prices. The results from bids for previous years contracts are as follows:

Contract	Plan costs (Sh.)	Contract award price (Sh.)	Number of bidders
A	10,000,000	12,000,000	5
B	12,500,000	9,500,000	3
C	50,000,000	49,950,000	8
D	5,000,000	100,000,000	1

Required:

- (a) Given that the plan ratio is the contract award price divided by the plan cost:
- (i) Calculate the plan ratios for contracts A to D. (2 marks)
 - (ii) Explain the ratios in these contracts. (2 marks)
- (b) Calculate the total budget variance for the four contracts. (3 marks)
- (c) Explain which of these contracts was planned better than the rest? Justify your answer. (2 marks)
- (d) In contract D, give possible reasons for the large difference between plan cost and contract award price. (6 marks)
- (e) Explain the steps you would take to improve accuracy of prices used in procurement plans. (5 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Illustrate how an organisation involved in production of fast moving consumer goods might use the supply positioning model to determine the type of engagements with suppliers. (12 marks)
- (b) Explain the stages in the procurement cycle. (8 marks)

(Total: 20 marks)

QUESTION THREE

You have just returned from the Regional Procurement Conference where pertinent issues on procurement planning were discussed.

- (a) Advise your Director on the key elements of a procurement plan. (5 marks)
- (b) Explain using examples, why budgeting is an important component of procurement planning. (15 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Read the case below and answer the questions that follow.

CAPACITY NEEDS ASSESSMENT

Two individual consultants have been identified to deliver a project on systematic capacity needs assessment on climate change. A summary of the project is as follows:

1. A key outcome is improved capacity to manage and adopt to climate change at different levels.
2. Two individual consultants will deliver tasks under the direction of a team leader.
3. The National Capacity Building plan should cover capacity building approaches, methods, activities and time frame.
4. The tasks involve data collection, conduct reviews, interviews, consultation workshops and preliminary findings presentations.
5. Output includes inception plan of the Capacity Needs Assessment and capacity building plan as well as draft questionnaire and interview guidelines.
6. As per delivery schedule each consultant will work for a total of 30 working days.
7. The consultants will work under the immediate supervision of the team leader.

The following are various cost elements likely to be incurred by the individual consultant over a 30 day period of consultancy:

- Individual consultant remuneration @ Sh.50,000 per day.
- Air travel for two trips @ Sh.30,000 per trip per consultant.
- Local transport, daily hire of car @ Sh.8,000 per day.
- Subsistence/per diem @ Sh.10,000 per day for 42 days.
- Communication @ Sh.1,000 for each consulting day.
- Stationery @ Sh15,000.
- Reports production @ Sh.5,000 per report.
- Contingency @ 20% of the cost of the project.

Required:

- (a) (i) Construct a table with appropriate headings to represent the above information. (5 marks)
- (ii) Use the table to estimate the cost of each line item. (8 marks)
- (iii) Estimate the total budget of the project. (2 marks)
- (b) Suggest the sources of information that could be used to estimate costs for each project item. (10 marks)
- (c) Discuss the reliability of each source of information in (b) above. (15 marks)
- (Total: 40 marks)**
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PART I

PROCUREMENT PLANNING

WEDNESDAY: 25 May 2016.

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) (i) Define the term “strategic procurement planning”. (2 marks)
- (ii) Identify THREE characteristics of demand. (3 marks)
- (b) Outline the role of forecasting in procurement planning. (5 marks)
- (c) The annual procurement planning exercise is a statutory requirement for all public entities in Kenya. Discuss FIVE components of a procurement plan. (10 marks)

(Total: 20 marks)

QUESTION TWO

Capco Corporation Ltd is a State Corporation charged with the responsibility of procuring ICT equipment for the government. The management of the Corporation comprise of the following departments: Finance, ICT, Corporate Affairs, Procurement, Audit and Risk, and Legal. The current CEO joined the organisation recently from the private sector. Since the organisation's mandate is in procurement of ICT, the CEO prefers to work with ICT department and rarely involves procurement department when carrying out procurement and disposal activities.

In the year 2016, the items earmarked for disposal include servers, old motor vehicles, old computers, old furniture, computer accessories and old files/records. You have been hired by the board of Capco Ltd. to advise management on supply chain management issues.

- (a) Advise the management on FOUR consequences of failing to involve the procurement function in procurement and disposal planning process. (8 marks)
- (b) Highlight EIGHT principles in procurement planning that Capco Corporation Ltd. need to take into consideration when preparing procurement plans. (8 marks)
- (c) Outline FOUR factors that would affect demand forecasting for ICT equipment. (4 marks)

(Total: 20 marks)

SECTION B

QUESTION THREE

Verimal Limited is a new furniture business that seeks to provide high quality furniture to high-end clients including government entities at affordable prices. You have been employed as the sourcing manager at Verimal Ltd. The Managing Director has instructed you to come up with a realistic sourcing strategy for the business, a detailed supply market analysis and an evaluation of strategic make-or-buy options.

Required:

- (a) (i) Identify FIVE possible sources of information about the furniture supply market. (5 marks)
- (ii) Explain FIVE important issues you would include in your market analysis report. (5 marks)

- (iii) Discuss FIVE important factors that you would consider in assessing importation of the furniture from abroad as opposed to opening a local furniture workshop. (5 marks)

- (b) You have decided to visit a potential furniture supplier abroad to carry out appraisal.

Explain FIVE items you would include in the supplier appraisal checklist.

(5 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Study the case below and answer the questions that follow:

You have just taken over responsibility for purchasing function at a major information logistics company and you are reviewing purchases for the last 2 years.

The company spends a fortune on fuel. You have discovered that because of the diverse nature of your company's transportation methods (which is air, ground and ocean freight) each individual department purchases its own jet fuel, the trucking division purchases its own diesel and the shipping freight division purchases its own oil.

On further analysis you have discovered that fuel takes 25% of all expenses and there were periods in the last 2 years when there were stock-outs. (The few suppliers in the middle East could not supply in time due to late placement of orders).

Your further analysis has revealed that the company spends a further 20% of all expenses on stationery and related items. You also discovered that there were periods in the last 2 years when there were stock-outs in this category. There was also a big variance in prices of similar items for orders placed in the last 2 years.

Further the organisation uses Toner cartridge HQ082F which is manufactured by a dealer in Germany. The cartridge is not available locally and the total spend on this item is 10% of the total expenses.

The variety of staff uniforms and apparel also account for 20% of the value of all expenses.

The organisation has not disposed idle, surplus and unserviceable stores for the last 2 years. The items earmarked for disposal are: 4 motor vehicles, 20 servers, 1000 litres of adulterated fuel, 450 computers and assorted computer stationery.

Required:

- (a) With the aid of a diagram, illustrate four procurement categories for the company using the product purchasing classification matrix. (10 marks)
- (b) (i) From question (a) above, explain FOUR purchasing approaches that a procurement professional should consider in each quadrant. (8 marks)
- (ii) Explain the importance of a procurement plan in the budgeting process. (2 marks)
- (c) Assess FIVE disposal methods that the organisation could use in disposing the items earmarked for disposal. (10 marks)
- (d) Discuss FIVE characteristics of demand that might affect the procurement planning process. (10 marks)

(Total: 40 marks)

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PART I

PROCUREMENT PLANNING

WEDNESDAY: 24 May 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) Differentiate between "procurement planning" and "procurement budgeting". (4 marks)
 - (b) State SIX pre-contract activities in the procurement cycle. (6 marks)
 - (c) Identify the parameters in a typical spend analysis task. (6 marks)
 - (d) Highlight FOUR assumptions of Economic Order Quantity (EOQ) model. (4 marks)
- (Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Appraise the application of supply positioning model in procurement planning. (10 marks)
 - (b) A county government plans to develop a new small-scale irrigation scheme in response to the drought situation in the country.
 - (i) Identify SIX stakeholders who should be involved in planning. (2 marks)
 - (ii) Justify an appropriate procurement method for design and construction of the project if the estimated initial contract sum is Sh.150,000,000. (8 marks)
- (Total: 20 marks)

QUESTION THREE

- (a) "Just-in-time supply chain management philosophy may still not work in many manufacturing enterprises in Sub-Saharan Africa". Discuss. (10 marks)
 - (b) Propose FIVE measures of controlling redundancy of goods in stores. (5 marks)
 - (c) Explain circumstances in which a procurement requirement may be divided into lots under the public procurement law. (5 marks)
- (Total: 20 marks)

SECTION C

QUESTION FOUR

Chuma Manufacturers is engaged in assembly of local hand sprayers. The annual turnover is Sh.3.8 million. The founder chairman is concerned that profit margins are lower than expected. He is of the view that the sales team should be expanded and the advertising campaign intensified to capture the COMESA market.

During your assessment of the company, you found out that procurement function is neglected, specifications of parts are received from user departments and sent to suppliers who can offer cheaper prices. Chuma Manufacturers deals with many suppliers and issues 40-50 orders per day for low cost items. This can be cumbersome given the amount of paper work involved. Ms. Mary, the buyer of low-order purchases has had no specific training in purchasing but knows where to buy cheap items. The Head of Purchasing who also serves as Finance Manager is in-charge of the department.

You have suggested to the founder chairman that efficient purchasing could be profitable for the business. However, he does not agree with the proposal, he believes anyone can buy, there is nothing hard in obtaining quotations from as many buyers as possible and choosing the cheapest. In any case, design staff have the knowledge required to specify production requirements and the sources of supplies.

Required:

- (a) With the aid of a diagram, illustrate the procurement cycle and justify why it is not "just buying". (10 marks)
- (b) Advise Chuma Manufacturers on FIVE benefits of incorporating information communication technology in its procurement process. (10 marks)
- (c) Discuss the elements that form part of the organisation's procurement plan. (10 marks)
- (d)
 - (i) Explain to the founder chairman the importance of specifying purchases. (5 marks)
 - (ii) Suggest FIVE methods of specifications that Chuma Manufacturers should consider. (5 marks)

(Total: 40 marks)

SECTION B

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PART I

PROCUREMENT PLANNING

WEDNESDAY: 23 November 2016.

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 the meaning of the following terms as used in procurement planning:

- (i) Stakeholder analysis. (2 marks)
- (ii) Risk register. (2 marks)
- (iii) Due diligence. (2 marks)
- (iv) Best value for money. (2 marks)
- (v) Total cost of ownership. (2 marks)

(b) Enumerate the benefits of good procurement planning to an organisation. (5 marks)

(c) (i) Highlight FOUR demand management tools. (4 marks)

(ii) Explain ONE characteristic of demand. (1 mark)

(Total: 20 marks)

QUESTION TWO

Dot Matrix Limited is a state owned company that generates electricity for the Kenyan market. It purchases most of its requirements from the global market.

(a) Evaluate the importance of supply market survey for Dot Matrix Limited. (10 marks)

(b) Demonstrate how Dot Matrix Limited can identify its procurement needs. (10 marks)

(Total: 20 marks)

SECTION B

QUESTION THREE

Malibu is a private organisation dealing with the importation and distribution of finished products to its customers. It has been experiencing some financial problems. These are attributed to cost escalation from within the organisation and outside the organisation.

(a) Assess FIVE benefits of budgeting to Malibu company. (10 marks)

(b) Justify the use of Material Requirement Planning in planning procurement at Malibu. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Kapital Bank Ltd., a state owned Bank has its headquarters in Nairobi and operates 80 branches in the East Africa region. Ten branches are currently housed in rented premises. The branch managers have complained of security risks and suggested that new stand-alone facilities be acquired by the bank. Also ten other branches are in dire need of a facelift plus traffic access control facilities. An initial estimate indicates that each new branch would cost about Sh.50,000,000 while refurbishing each of the ten branches would cost Sh.2,000,000.

The Board of Management recently approved a proposal from the facilities management department to carry out a facelift in the ten branches. Also new banking facilities will be put up to replace the rented premises over a 5-year period, with two premises being constructed each year. The projects should commence next year.

Required:

- (a) (i) Identify the parties that may be involved in planning, approval and implementation of the refurbishment and construction programme. (6 marks)
- (ii) Explain the role of each party identified in (a) (i) above. (6 marks)
- (b) Develop a realistic operational procurement plan for the refurbishment and construction programme. (10 marks)
- (c) Explain why the cost of each branch may end up exceeding Sh.50,000,000 on completion and handover of the project. (8 marks)
- (d) (i) Discuss a suitable contracting method for the refurbishment and construction projects. (8 marks)
- (ii) Give TWO advantages of the method proposed in (d) (i) above. (2 marks)
- (Total: 40 marks)**

KISM AND KASNEB

CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART I

PROCUREMENT PLANNING

PILOT PAPER

September 2015.

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 the term “procurement planning”. (5 marks)
 - (b) Identify FOUR phases in the procurement process. (4 marks)
 - (c) Outline a checklist to aid in the procurement of goods and services. (5 marks)
 - (d) Explain how procurement planning differs when planning for capital items and when planning for operational items. (6 marks)
- (Total: 20 marks)

SECTION B

QUESTION TWO

The procurement profession gained a lot of prominence in the last half of the 20th century. This can be attributed to increased awareness of the importance of the profession to the success of many enterprises.

Explain some of the emerging issues and trends in procurement planning that have made a contribution to the growth of the profession. (20 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Discuss the relationship between “strategic planning” and “strategic procurement”. (4 marks)
 - (b) Construct a risk management framework that will help you overcome FIVE risks in the procurement process. (16 marks)
- (Total: 20 marks)

SECTION C

QUESTION FOUR

An International Non-Governmental Organisation (INGO) wishes to procure the following items for its offices in East Africa:

Item	Value (Ksh.)	Quantity
20 KVA Generator	560,000	15
2 HP Split Unit Air Conditioner	800,000	5
21" Colour TV	151,200	3
Gas Cooker	84,000	5
Sound System	180,000	1
Cabinets	144,000	5
Blender	50,000	2
Paintings	120,000	4

Required:

- (a) Suggest FOUR categories for these items and list the items under each category. (8 marks)
- (b) With justifications, propose a procurement method for each item. (12 marks)
- (c) (i) If in addition to the above items, the company buys satellite dishes, scanners and laptops from overseas sources, what procurement method would you recommend for these additional items? (2 marks)
- (ii) Highlight the key stages of the procurement process in (i) above for purposes of procurement planning. (10 marks)
- (d) Suggest a procurement expenditure approval level for each line item. Justify your answer in each case. (8 marks)
- (Total: 40 marks)**
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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)

- (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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