



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**MAY – JULY 2016 TRIMESTER**

**FACULTY OF ARTS AND SOCIAL SCIENCES**

**DEPARTMENT OF DEVELOPMENT STUDIES**

**MPM 503: PROCUREMENT, CONTRACTING AND COST MANAGEMENT**

**Date: JULY 2016**

**Duration: 3 Hours**

**INSTRUCTIONS: Answer ANY FOUR Questions**

- Q1. Boeing is one of the leading aircraft manufacturing company. Currently Boeing has outsourced almost 787 of its different production activities. While this approach poses major management challenges to the company. Boeing's management holds that this is the best strategy towards sustainable competitiveness. Discuss FIVE reasons to justify Boeing's current approach and FIVE other reasons why you could advice the company otherwise. **(15 marks)**
- Q2. a) Explain FIVE ethical issues that project managers should focus on during cost estimation process. **(10 marks)**
- b) Discuss FIVE advantages of procurement planning. **(5 marks)**
- Q3. Pendo Health Care Givers are currently implementing a five years project focusing on elderly people. The management team of Pendo Health Care Givers are in the process of making a decision on if to outsource the transportation function or to purchase its own vehicles. They have the option of buying five cars at a cost of kshs 5 million per car. Further, it will cost them kshs 80,000 per month to operate a single car. After 5 years each car could have depreciated by 50%. If Pendo Health Care Givers opted to outsource they will be paying a fixed amount of 300,000 per car per month. They are also likely to spend another fixed cost of ksh 200,000 per car per year in either arrangement.

- i Using calculations to show different types of costs what could be the most cost effective option for Pendo Health Care Givers. **(10 marks)**
  - ii How much money will Pendo Health Care Givers save or lose in either option. **(5 marks)**
- Q4. a) Changes to an existing contract can be a source of conflict between the parties and should be avoided. However, sometimes change can be investible. Discuss any FIVE possible scenarios that may necessitate a change order to an existing contract. **(10 marks)**
- b) Discuss FIVE reasons why in your view it is important to do cost estimation. **(5 marks)**
- Q5. a) Discuss any FIVE guidelines that you may recommend to a new procurement management practitioner that can assist in preparing proposals. **(10 marks)**
- b) Explain any FIVE activities that entail good contract closure practice. **(5 marks)**
- Q6. a) Using examples explain any FIVE elements of a legal contract. **(10 marks)**
- b) Discuss FIVE major challenges facing project managers in their procurement and cost management initiatives. **(5 marks)**

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