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MAIN EXAMINATION

MAY - JULY 2015 TRIMESTER

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF DEVELOPMENT STUDIES

MPM 503: PROCUREMENT, CONTRACTING AND COST MANAGEMENT

Date: JULY 2015	**Duration: 3 Hours**
INSTRUCTIONS: ANSWER THREE QUESTIONS. QUESTION ONE IS COMPULSORY	

Q1. a) Explain the meaning of the following concepts

i Procurement **(2 marks)**

ii Supply chain surplus **(2 marks)**

iii Solicitation planning **(2 marks)**

iv Cost **(2 marks)**

b) Greener Horizons Ltd is currently implementing a three years project. The management team of Greener Horizons Ltd is making a decision on if to outsource the transportation function or to purchase its own vehicles. They have the option of buying three cars at a cost of 3 million per car and this will cost them Ksh 100,000 per month to operate a single car. After three years each car could have depreciated by 50%. If Greener horizons Ltd opted to outsource, they will be paying a fixed amount of 300,000 per car per month to Auto transportation Ltd. Greener Horizons are also expected to spend another fixed cost of Ksh 200,000 per car per year in either arrangement.

i Using calculations to show different costs what could be the most cost effective option for Greener Horizons. **(12 marks)**

ii How much money will Greener Horizons save or lose in either option.

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c) Using examples, explain any FOUR basic elements of a legal contract. **(10 marks)**

d) Explain any THREE tools of cost estimation in project cost management. **(6 marks)**

Q2. 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 a good contract closure practice. **(10 marks)**

Q3. a) Discuss FIVE challenges facing project managers in their procurement and cost management initiatives.

b) Auto Fixers Ltd is a leading security service company. Recently they have entered into some partnership with Peace Net a not for profit organization to provide them with security related services for a period of one year. Discuss FIVE reasons that may have motivated Peace Net to initiate this kind of arrangement. **(10 marks)**

Q4. a) Discuss FIVE benefits that an organization may gain by preparing and adhering to a comprehensive procurement plan. **(10 marks)**

b) Discuss FIVE emerging trends shaping contemporary approaches to procurement, cost and contract management. **(10 marks)**

END

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