

D2/November 2014

Diploma in procurement and supply

Business needs in procurement and supply

Date Thursday 20 November 2014

Time Start 14:00 End 17:00 Duration 3 hours

QUESTION PAPER

INSTRUCTIONS FOR CANDIDATES

This examination has **FOUR** compulsory questions worth 25 marks each.

1. Do not open this question paper until instructed by the invigilator.
2. All answers must be written in the answer booklet provided.
3. All rough work and notes should be written in the answer booklet.

QUESTIONS

You are advised to spend 45 minutes on each question.

- Q1** (a) Explain the difference between the terms 'cost' and 'price'. (5 marks)
- (b) Describe **FIVE** sources of data that a buyer might consult to obtain information about the market prices of inputs. (20 marks)
- Q2** (a) Explain **THREE** advantages of using Key Performance Indicators (KPIs) in a contract. (15 marks)
- (b) Explain **TWO** potential information security risks that should be addressed in the specification for a new computer system. (10 marks)
- Q3** (a) Describe, with an example, the following price arrangements in commercial agreements:
- (i) Fixed price arrangements
 - (ii) Incentive price arrangements
 - (iii) Cost-plus arrangements. (9 marks)
- (b) Explain **TWO** advantages of fixed price purchase arrangements for a purchasing organisation. (8 marks)
- (c) Explain **TWO** elements that may cause price fluctuations in a cost plus purchase arrangement. (8 marks)
- Q4** (a) Explain the meaning of the term 'make/do or buy decision' for goods or services. (5 marks)
- (b) Describe **FIVE** factors that an organisation may take into account when making a 'make/do or buy decision' for goods or services. (20 marks)

END OF QUESTION PAPER

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