

D4/May 2015

Diploma in procurement and supply

Negotiating and contracting in procurement and supply

Date **Tuesday 19 May 2015**

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** Explain **FIVE** requirements for ensuring the creation of a legally binding contract. **(25 marks)**
- Q2** Explain **FIVE** ways a buying organisation can improve its leverage with suppliers in a commercial negotiation. **(25 marks)**
- Q3** While preparing for a commercial negotiation with a supplier for a particular product, the supplier has provided the following pricing and costing information to the purchaser to support the negotiation.
- Selling price per unit: \$10.00
Variable cost per unit: \$6.00
Fixed cost for production: \$80,000
- (a)** Explain the meaning of the terms 'Fixed cost' and 'Variable cost' in this context. **(6 marks)**
- (b)** Calculate, based on the data provided, the breakeven point of the supplier's production of this product. **(5 marks)**
- (c)** Explain the meaning of the term 'Margin of Safety' in this context. If the predicted order volume is 50,000 units, calculate the supplier's margin of safety in terms of units. **(6 marks)**
- (d)** Explain **TWO** impacts on the supplier if the order volume is much higher than the 50,000 units predicted. **(8 marks)**
- Q4 (a)** Explain **THREE** ways in which the parties involved in a negotiation might reflect on their performance in the negotiation. **(9 marks)**
- (b)** Discuss **FOUR** tactics that could be used to influence the other party during a negotiation. **(16 marks)**

END OF QUESTION PAPER

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