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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR FOUR**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 444**

**COURSE TITLE: PROCUREMENT RISK MANAGEMENT**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 04/04/2021 TIME: 3.00-5.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of TWO (2) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

China has emerged as a favored lost-cost manufacturing spot among electronics companies because of the presence of component suppliers and contract electronics manufacturers, as well as the quality of its infrastructure (roads, electricity, etc.). Although electronics assembly may take only one to two days, transporting goods by ship between China and Europe takes three weeks. Add to this the time needed to reach the regional or country distribution centers, and the total fulfillment cycle can be six weeks. In a highly volatile market, these long fulfillment times can result in inventory that is out of sync with market demand. Companies can reduce this risk with several different options. One approach is to increase manufacturing flexibility to ensure that the supply chain plan is refreshed weekly instead of monthly to better meet changing market demand. In rapidly evolving industries such as consumer electronics, companies may start with a global model during new product ramp-up to test the manufacturing process or to benefit from colocation with R&D and then transition to a regional model to improve customer service. At the end of the product life cycle, the global model once again may be a better choice as a way to fulfill demand at the lowest product cost and inventory investment.

**Required;**

1. Identify and explain five strategic risks that may affect the supply chain of Chinese manufacturing companies as mentioned in the above case study (10 marks)
2. One approach to reduce supply chain risks is to increase manufacturing flexibility, discuss five other measures companies can adopt to reduce supply risks (10 marks)
3. Information-related risks might arise for a business, particularly in global procurement and supply chain management, explain five types of IT related risks (10 marks)

**QUESTION TWO**

1. Project risks are factors that could cause the project to fail. Discuss five common project risks (10 marks)
2. Internal risks are risks arising in the internal environment of the supply chain, explain five examples of internal risks (10 marks)

**QUESTION THREE**

1. Risk identification is a process for identifying and recording potential project risks that can affect the project delivery, discuss the six steps of an effective risk identification process (6 marks)
2. Qualitative assessment consists of analyzing probability and level of risk by significance levels, highlight six qualitative risk assessment approaches (6 marks)
3. Contingency planning is planning to mitigate the impacts of risk events, variances and failures, describe the steps of formulating contingency plans (8 marks)

**QUESTION FOUR**

1. Procurement auditors are key stakeholders in management of procurement risks, discuss roles and responsibilities of procurement auditors (10 marks)
2. Discuss five challenges posed by the emerging issues and trends in procurement audit and risk management (10 marks)

**QUESTION FIVE**

1. Data and information storage is key in successful procurement audit, discuss the importance of system documentation as a procurement risk mitigation approach (10 marks)
2. Risks of contract failure arise from suppliers' reliability or supplier management policies and practices, explain five examples of contract risk (10 Marks)