



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF LOGISTICS
AND SUPPLY CHAIN MANAGEMENT
3RD YEAR 2ND SEMESTER 2022/2023 ACADEMIC YEAR
KISUMU CAMPUS

COURSE CODE: BAB 1346

COURSE TITLE: Procurement Records and Inventory Management

EXAM VENUE:

STREAM: (BLSM)

DATE:

EXAM SESSION: SEPT-DEC

TIME: 2 HOURS

Instructions:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

CASE STUDY

QUESTION ONE (30 MARKS)

PROCUREMENT AND INVENTORY MANAGEMENT AT MEDEQUIP PUBLIC HOSPITAL

Background

MedEquip Public Hospital is a large government-run healthcare facility located in the capital city of Country Y. The hospital has experienced rapid growth in the number of patients and is tasked with providing quality healthcare services to a population of over one million people. To cope with increasing demand, the hospital administration has invested in procuring new medical equipment, pharmaceuticals, and consumable medical supplies.

The hospital's procurement and inventory management practices are handled by two distinct units: the Procurement Department and the Inventory Management Unit. Both departments are responsible for ensuring the hospital has the necessary equipment and supplies, managing the logistics of receiving, storing, and distributing these items, and maintaining compliance with government regulations.

Recently, the hospital has faced several challenges, including supply chain disruptions due to a global pandemic, rising demand for medical supplies, and stock management inefficiencies. These issues have led to a backlog of procurement orders, stockouts of critical items, and operational inefficiencies that have negatively affected the hospital's performance.

The hospital's Procurement Department is responsible for sourcing medical supplies such as personal protective equipment (PPE), ventilators, diagnostic machines, surgical tools, and pharmaceuticals. Procurement is conducted through a combination of competitive bidding for major contracts and direct purchases for low-value items.

The procurement process follows a strict set of guidelines mandated by the government. The procurement lifecycle begins with the identification of needs by the hospital's departments, followed by requisition submission to the Procurement Department. Once approved, the department prepares tender documents that include technical specifications, required delivery timelines, and evaluation criteria.

After a thorough bid evaluation process, contracts are awarded to selected suppliers. The contract file contains all agreements, delivery schedules, warranties, and payment terms, ensuring that all procurement activities are well-documented.

However, the department has faced issues with supplier delays due to global supply chain challenges, particularly affecting the delivery of critical PPE and ventilators. This has resulted in the hospital having to make emergency purchases at higher costs, further complicating budget management.

MedEquip Public Hospital recently transitioned to an e-procurement system to enhance transparency and efficiency. The system provides a digital trail for all procurement activities and allows stakeholders, including auditors, to access real-time data on the status of

procurement projects. Although this system has significantly improved documentation and accessibility, the Procurement Department still faces challenges with ensuring data accuracy and managing supplier performance.

The hospital's Inventory Management Unit is responsible for managing stock levels, ensuring proper storage of medical supplies, and coordinating the distribution of items across different departments. The unit uses Electronic Inventory Management Systems (EIMS) to track stock levels and manage the movement of goods from the central warehouse to various storage locations within the hospital.

The Inventory Management Unit has encountered significant challenges. Stockouts of critical items like surgical gloves and pharmaceuticals have occurred due to poor forecasting and communication between the hospital's departments and the procurement team. At the same time, overstocking of low-priority items has led to storage inefficiencies and increased holding costs.

The hospital's storage facilities are currently cluttered with obsolete and expired stock, including outdated diagnostic equipment and expired medications. This has raised concerns about compliance with health and safety regulations, as well as the potential risks of storing expired pharmaceuticals alongside active stock. The hospital has a disposal policy for such items, but its implementation has been inconsistent, and some items have remained in storage long past their disposal deadlines.

There have been reports of theft involving high-value medical equipment and medications, leading to financial losses and jeopardizing patient care. Additionally, health and safety protocols for handling hazardous materials and expired stock have not been adequately enforced, increasing the risk of workplace accidents.

The hospital's administration has been under pressure to improve the performance of its procurement and inventory systems. An external audit has been scheduled to evaluate both the procurement process and inventory management practices. The Procurement Department has been tasked with ensuring that all contract files, tender documents, and procurement records are in order, while the Inventory Management Unit must reconcile stock records with physical counts and ensure that their Key Performance Indicators (KPIs), such as stock turnover and order fulfillment times, meet industry benchmarks.

In preparation for the audit, both departments have faced difficulties with document readiness and data accuracy. The e-procurement system has generated discrepancies between what has been ordered and what has been received, leading to mismatches in procurement and inventory records. Similarly, physical stock counts have revealed a number of stock variances, further complicating audit preparation.

Case Study Questions

a). How can the Procurement Department improve supplier performance and minimize delays in the delivery of critical medical supplies? **(6 Marks)**

b). What strategies can be implemented to reduce the reliance on emergency purchases? **(8 Marks)**

c). What are the advantages and potential risks of relying on an e-procurement system for managing procurement records in a public sector organization? **(6 Marks)**

d). Discuss how the Inventory Management Unit can improve its forecasting methods to prevent stockouts of critical items like PPE and pharmaceuticals. **(5Marks)**

e). How should the hospital approach the disposal of obsolete and expired stock to ensure compliance with health and safety regulations? **(5 Marks)**

SECTION B:

2. a) Imagine you are working in a procurement office handling a large government project. How would you classify procurement records at various stages of the procurement process to ensure compliance with regulations? **(7 Marks)**

b) How can an effective stock management system contribute to delighting both internal and external customers? **(8 Marks)**

3. a) Differentiate between the contract file and the action file in a procurement process. What key documents should each contain? **(05 Marks)**

b). You are responsible for stock control at a retail company. Which stock control technique would you apply and why? **(10 Marks)**

4. a). You are preparing procurement records for an external audit. What steps will you take to ensure the audit readiness of your procurement records? **(6 Marks)**

b). As a procurement manager, you are tasked with ensuring an uninterrupted supply chain. How would you manage independent and dependent demand using MRP or DRP systems? **(9 Marks)**

5. a). What key performance indicators (KPIs) would you use to measure the efficiency and effectiveness of your inventory management system? **(6 Marks)**

b). As a Stock Manager, why would you approach the categorization, standardization, and variety reduction of stock to improve operational efficiency? **(9 Marks)**