



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING**

**DEPARTMENT OF BUSINESS ADMINISTRATION AND MANAGEMENT**

**EXAMINATION PAPER**

**COURSE CODE** : CPS 401  
**COURSE TITLE** : INTERNATIONAL PURCHASING  
**SPECIAL REQUIREMENTS** : NO SPECIAL REQUIREMENTS  
**DURATION** : 3 Hours  
**LEVEL** : 4:1  
**DATE** : 28 NOV 2022

**INSTRUCTIONS TO CANDIDATES:**

1. No cell phones are allowed in the examination venue.
2. **QUESTION ONE IS COMPULSORY**
3. Answer **QUESTION ONE AND ANY THREE (3)** questions.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets [ ]
6. Use of practical examples where necessary is encouraged

## **Case Study: Global Sourcing in Aerospace Industry: A380 AIRBUS**

The continuous internationalization of trade and the phenomenon of globalization have made global sourcing available and appealing to the global industries. With regard to the upstream part of the supply chain, the need for better suppliers, and the research into specific competences and concerns related to international competition, have forced companies to improve their ability to cope with suppliers located in different countries around the world (Golini and Kalchschmidt, 2011). This is 'global sourcing,' which is defined as the purchasing of goods outside the geographical area to which the company belongs (Kotabe and Omura, 1989, Murray et al., 1995a and Murray et al., 1995b).

During the last two decades the number of companies outsourcing to external suppliers increased drastically which in turn contributed to economic development. It is argued by Rossetti and Choi (2005) that strategic sourcing integrates the buying firm's strategic decisions with those of its key suppliers, promoting trust and decreasing transaction costs. However, the failure in setting an appropriate strategic sourcing strategy can be very costly as the sourcing influences other activities as production and inventory because of longer and more uncertain lead times in an international supply chain (Golini and Kalchschmidt, 2011). Thus strategic sourcing promises productive relationships and improved capabilities.

Aerospace industry falls within Airbus UK, one of the leading and successful global aircraft manufacturers. Airbus UK, which is a wholly owned subsidiary of Airbus SAS, produces wings for the airbus aircraft family. Airbus is capitalizing on 30 years manufacturing experience, to build the world's largest ever civil aircraft to date- the A380. The four biggest suppliers for A380 are the US, Canada, France and UK. These are four areas that have the biggest history in aviation. Airbus uses single source supply for most of the equipment and structure part of aircraft, for example titanium is outsourced from Russia. This can generate real concerns when global instabilities such as the crisis in Ukraine in 2013 happened - what would be the alternative? Airbus also tends to multi-source some parts e.g. brakes which are consumables and they can be sourced from different suppliers. Chopra and Meindl (2013) state that having multiple sources ensures a degree of competition and also lower risk by providing a backup should a supplier fail to deliver.

*Adapted from: International Supply Chain Management Case Study (Pham, Darabi and Wilmot, 2016). Available at <http://www.igi-global.com/chapter/international-supply-chain-case-study/141144>*

### Question 1

*Global sourcing is all about material acquisition from various sources around the world to meet internal needs.* With the aid of the above case study, evaluate the motives behind organisations that are engaging into global sourcing, and support your answer with relevant examples. **[25 Marks]**

### Question 2

*“An organisation that is willing to embark on international purchasing must be prepared to act proactively and bear any of the outcome risks.”* With this assertion in mind identify the nature of international purchasing risks an international purchaser can encounter and propose mitigation strategies to deal with them. **[25 Marks]**

### Question 3

a) Explain the following payment methods and the associated risks to either parties to the contract citing relevant examples where necessary.

- i. Documentary Letter of Credit. **[6 Marks]**
- ii. Documentary Collections. **[4 Marks]**
- iii. Open Account Trading. **[4 Marks]**

b) Briefly explain the following documents in relation to *how* and *when* they work in international purchasing:

- i. Airway bill. **[2 Marks]**
- ii. Bill of Lading **[3 Marks]**
- iii. Rebilling invoice **[3 Marks]**
- iv. Certificate of origin **[3 Marks]**

#### Question 4

a) *“Countertrade is a particular form of cross-border transaction that is reciprocal in nature, thus allowing a cashless transaction to be undertaken.”* Evaluate the potential benefits and possible limitations of countertrade. **[15 Marks]**

b) Explain the following forms of countertrade giving examples where they are applicable:

- i. Reverse counter trade **[3 Marks]**
- ii. Counter purchase **[4 Marks]**
- iii. Switch trading **[3 Marks]**

#### Question 5

a) An organisation is considering offshoring its operations, advice the management with a cost and benefit analysis of this initiative. **[15 Marks]**

b) Discuss the prerequisite of an organisations that is willing to undertake offshoring in international purchasing. **[10 Marks]**

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