



**ZCAS University**

**BBA4722 INTERNATIONAL PURCHASING  
FINAL EXAMINATION  
MAY 2024**

**TIME ALLOWED: THREE HOURS (plus 5 minutes to read through the paper)**

**INSTRUCTIONS:**

1. Section A: this question is **compulsory** and must be attempted.
2. Sections B: Answer Three (3) questions from this section.
3. This question paper carries a total of **100 marks**.
4. Candidates must **not turn this page** until the invigilator tells them to do so.

## Case Study: International Purchasing at GlobalTech Inc.

### Background:

GlobalTech Inc. is a multinational electronics company headquartered in the United States. Known for its innovative consumer electronics, the company has recently expanded its product line to include smart home devices. To remain competitive, GlobalTech decided to source key components internationally, aiming to reduce costs and access advanced technology.

### Scenario:

GlobalTech's procurement team is evaluating suppliers from several countries, including China, Germany, and Japan. Each country offers distinct advantages. Chinese suppliers provide cost-effective options, German suppliers are known for their high-quality engineering, and Japanese suppliers offer advanced technology and reliability. However, international purchasing also brings challenges such as fluctuating exchange rates, varying quality standards, and complex logistics.

The team selected a primary supplier from China for the new smart home device's microprocessors due to their competitive pricing and the potential for large-scale production. They also opted for a secondary supplier from Germany for specialized sensors, which are crucial for the device's accuracy and performance. To manage risks, the team implemented a dual-sourcing strategy, balancing cost, quality, and reliability.

### Challenges:

Exchange Rate Volatility: The fluctuating value of the US dollar against the Chinese yuan and the euro impacts the final cost of components. The procurement team uses hedging strategies to mitigate this risk.

Quality Control: Ensuring consistent quality across different suppliers is critical. GlobalTech's quality assurance team conducts regular audits and maintains stringent quality checks to prevent discrepancies.

Logistics and Lead Times: Coordinating shipments from different parts of the world poses logistical challenges. The team uses sophisticated supply chain management software to track orders, manage inventory, and ensure timely deliveries.

Cultural and Communication Barriers: Working with suppliers from different cultural backgrounds requires effective communication and understanding. The team invests in cross-cultural training and hires bilingual staff to bridge communication gaps.

Compliance and Regulations: Adhering to international trade regulations, tariffs, and customs requirements is essential. The legal team at GlobalTech stays updated on international trade laws to ensure compliance and avoid legal pitfalls.

**Outcome:**

By leveraging international suppliers, GlobalTech successfully reduced production costs and enhanced the technological capabilities of its smart home devices. The company navigated the complexities of international purchasing through strategic planning and robust risk management, ultimately achieving a competitive edge in the global market.

**Questions:**

1. What are the primary advantages that GlobalTech Inc. sought by sourcing components internationally?  
[8 marks]
2. Identify and explain two major risks associated with international purchasing that GlobalTech faced.  
[8 marks]
3. How did GlobalTech manage the challenge of fluctuating exchange rates?  
[8 Marks]
4. Why is dual sourcing considered a beneficial strategy in international purchasing?  
[8marks]
5. Discuss the importance of cultural understanding and communication in international purchasing as highlighted in the case study.  
[8 Marks]

**SECTION B [60 Marks]**

**Questions:**

1. What are the primary risks associated with international purchasing, and what risk management techniques can companies use to mitigate these risks?  
[20 Marks]
2. Explain the role of cultural understanding in international purchasing and how it can influence supplier relationships and negotiations.  
[20 Marks]

3. Discuss the importance of compliance with international trade regulations in international purchasing and the potential consequences of non-compliance.  
**[20 Marks]**
  
4. How do companies manage the complexities of physical distribution in international purchasing, and what strategies can they implement to ensure efficient and reliable delivery of goods across borders?  
**[20 Marks]**