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DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

MONDAY: 20 May 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) (i) Explain the term “electronic invoicing”. (2 marks)
 - (ii) Describe four benefits associated with electronic invoicing. (4 marks)
 - (b) Identify four limitations of using cheques as a form of payment. (4 marks)
 - (c) Assess five principal reasons why modern day companies use factor services. (10 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Highlight six characteristics of an effective collection letter. (6 marks)
 - (b) Examine four characteristics of a personal loan. (8 marks)
 - (c) Explain three benefits of credit information sharing (CIS) in your country. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) In the context of consumer credit classification, distinguish between “open end credit” and “incidental credit”. (4 marks)
 - (b) Outline six indicators of a debtor who is likely to default in payment. (6 marks)
 - (c) Highlight four limitations of bills of exchange. (4 marks)
 - (d) Enumerate six contents of a letter of credit. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Describe five costs incurred when granting credit. (10 marks)
 - (b) Outline five factors that a credit manager should consider before extending credit to customers. (5 marks)
 - (c) Propose five ways of minimising conflicts between sales department and credit department. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) With reference to export credit, explain the following types of invoices:
 - (i) Pro forma invoice. (2 marks)
 - (ii) Legalised invoice. (2 marks)
 - (iii) Certified invoice. (2 marks)
 - (iv) Consular invoice. (2 marks)
 - (b) Enumerate three features of sole proprietorship form of business in relation to credit management. (6 marks)
 - (c) Describe how a good computer system might enhance the process of using reminder letters. (6 marks)
- (Total: 20 marks)**

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