KASNEB

DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

TUESDAY: 17 November 2015.   Time Allowed: 3 hours.

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

QUESTION ONE
(a)   Describe five pre-export certificates necessary to facilitate export trade.   (10 marks)

(b)   Highlight five benefits of recording customer calls in a credit department.   (5 marks)

(c)   Explain five types of bills of lading.   (5 marks)
                                                                                        (Total: 20 marks)

QUESTION TWO
(a)   Distinguish between the following terms:

    (i)   "Non recourse factoring" and "recourse factoring".   (4 marks)

    (ii)   "Debit card" and "credit card".   (4 marks)

(b)   Outline six qualities of a good collection letter.   (6 marks)

(c)   Explain the following terms as used in credit management:

    (i)   Interest owing.   (3 marks)

    (ii)   Impaired loan.   (3 marks)
                                                                                        (Total: 20 marks)

QUESTION THREE
(a)   Examine four causes of disagreement between sales staff and credit staff in an organisation.   (8 marks)

(b)   Analyse three benefits of a credit reference bureau (CRB) to an economy.   (6 marks)

(c)   Describe three functions of the sales ledger in an organisation.   (6 marks)
                                                                                        (Total: 20 marks)

QUESTION FOUR
(a)   Highlight five factors to consider when calculating the cost of credit.   (5 marks)

(b)   Analyse five types of information that an applicant seeking to engage in agent banking should submit to the central bank of your country.   (5 marks)

(c)   Identify five advantages of carrying out credit rating by a financial institution.   (5 marks)

(d)   Enumerate five obligations of financial institutions in regards to anti-money laundering.   (5 marks)
                                                                                        (Total: 20 marks)

QUESTION FIVE
(a)   Highlight eight debt collection mistakes that a credit officer should avoid when dealing with customers.   (8 marks)

(b)   Describe four effects of poor credit control in an organisation.   (8 marks)

(c)   Analyse four benefits of using a cash flow statement as a source of credit information.   (4 marks)
                                                                                        (Total: 20 marks)

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