# KASNEB

## DCM LEVEL I

## FUNDAMENTALS OF CREDIT MANAGEMENT

**MONDAY: 21 November 2016.**                       **Time Allowed: 3 hours.**

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

### QUESTION ONE
(a) Outline four risks of "cash-in-advance" payment to a buyer.    (4 marks)

(b) Describe five characteristics of a valid mortgage.    (5 marks)

(c) Explain five methods of enhancing the relationship between the sales and credit departments.    (5 marks)

(d) Examine three differences between "hire purchase" and "instalment system".    (6 marks)
                                          **(Total: 20 marks)**

### QUESTION TWO
(a) Describe four ways of correcting inaccurate invoices.    (4 marks)

(b) Summarise three types of credit facilities available in consumer credit.    (6 marks)

(c) Enumerate five disadvantages of using salesmen for debt collection.    (5 marks)

(d) Explain five debt collection tools used in credit management.    (5 marks)
                                          **(Total: 20 marks)**

### QUESTION THREE
(a) Highlight four benefits of effectively managing the accounts receivable.    (4 marks)

(b) Explain five techniques that could be used to mitigate credit card fraud.    (5 marks)

(c) Factoring is a debtor finance method that has been taken up by many organisations.

     Analyse five benefits of factoring to an organisation.    (5 marks)

(d) Explain the following terms as used in export credit:

     (i) Arbitrage.    (2 marks)
     (ii) Clean bill of lading.    (2 marks)
     (iii) Document against acceptance.    (2 marks)
                                          **(Total: 20 marks)**

### QUESTION FOUR
(a) (i) Outline four characteristics of a limited company.    (4 marks)

     (ii) Analyse four documents required by financial institutions before extending credit facilities to a limited company.    (8 marks)

(b) Enumerate four roles of a good quality accounts receivable software.    (8 marks)
                                          **(Total: 20 marks)**

### QUESTION FIVE
(a) Outline six types of disputes that could be handled by the credit department in an organisation.    (6 marks)

(b) Analyse three contents of a complete file of summons that could be important in proving a claim.    (6 marks)

(c) Evaluate four precautions that should be taken into account by the credit department when using the internet as a debt collection tool.    (8 marks)
                                          **(Total: 20 marks)**

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