



DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

MONDAY: 27 November 2017.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Outline eight contents of a credit policy manual. (8 marks)
 - (b) Describe four benefits of using promissory notes in credit agreements. (4 marks)
 - (c) Enumerate four benefits of using customer visit as a collection technique. (4 marks)
 - (d) In reference to credit management, summarise four advantages of using Alternative Dispute Resolution (ADR). (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) (i) Describe three risks associated with mobile money transfer. (3 marks)
 - (ii) Outline three ways of minimising the risks identified in (a)(i) above. (3 marks)
 - (b) Enumerate four ways in which a computer could aid in debt collection. (8 marks)
 - (c) Examine six characteristics of a highly effective credit officer. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain five categories of invoices used in export credit. (5 marks)
 - (b) Enumerate five roles of a credit department. (5 marks)
 - (c) Describe five sources of working capital in an organisation. (10 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Explain the following documents as used in credit management:
 - (i) Statement of account. (2 marks)
 - (ii) Credit note. (2 marks)
 - (iii) Delivery note. (2 marks)
 - (b) Argue three cases for and three cases against the use of debt collectors. (6 marks)
 - (c) Highlight eight contents of an effective credit application form. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Outline four advantages of cash discounts to the seller. (4 marks)
 - (b) Describe four steps the credit manager should take in order to minimise escalating customer queries. (4 marks)
 - (c) List six warning signs that characterise shortage of cash in a business. (6 marks)
 - (d) Analyse three ways in which a credit manager could improve on timely cash collection. (6 marks)
- (Total: 20 marks)**