



DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

MONDAY: 23 November 2020.

Time Allowed: 3 hours.

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

**QUESTION ONE**

- (a) Identify six duties of an effective credit department. (6 marks)
- (b) Outline three main differences between “Electronic Funds Transfer” and “Real Time Gross Settlement” methods of payment. (6 marks)
- (c) Enumerate four benefits of having an effective collection policy to an organisation. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Identify three types of credit customers a credit officer is likely to serve in the course of lending. (6 marks)
- (b) Explain the following credit products:
- (i) Mortgage. (2 marks)
- (ii) LPO financing. (2 marks)
- (iii) Conditional sale. (2 marks)
- (iv) Credit sale. (2 marks)
- (c) Describe three documents used in trade credit. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Discuss five factors a credit manager should consider before offering settlement discounts to customers. (10 marks)
- (b) Highlight six factors to consider when selecting a payment method. (6 marks)
- (c) State four areas of the economy that are likely to experience increased default in payment as a result of the corona virus pandemic (COVID 19). (4 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Distinguish between the following terms:
- (i) “Recourse factoring” and “non-recourse factoring”. (4 marks)
- (ii) “Disclosed non-recourse factoring and “non-disclosed non-recourse factoring”. (4 marks)
- (iii) “Invoice discounting” and “agency factoring”. (4 marks)
- (b) Enumerate eight factors a loan applicant should consider before signing a loan agreement. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Enumerate five tips that a borrower could use to keep the borrowing costs low. (5 marks)
- (b) Explain the following terms as used in credit management:
- (i) Borrower. (2 marks)
  - (ii) Principal. (2 marks)
  - (iii) Credit History. (2 marks)
  - (iv) Collateral. (2 marks)
- (c) State seven advantages of billing automation tools. (7 marks)

**(Total: 20 marks)**

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