

KASNEB

DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

PILOT PAPER

September 2015.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) State seven responsibilities of a credit manager. (7 marks)
- (b) Describe eight duties of a credit department within a service provision company. (8 marks)
- (c) Explain the following payment terms as used in credit management:
- (i) Load over load. (2 marks)
 - (ii) Cash with order. (1 mark)
 - (iii) Contra accounts. (1 mark)
 - (iv) Stage payment. (1 mark)
- (Total: 20 marks)**

QUESTION TWO

- (a) Analyse the information needed by the credit department from sales department for the purposes of good credit decision making. (5 marks)
- (b) Outline key pre-call preparation in telephone call collections. (7 marks)
- (c) Discuss how a customer's complaint over a telephone call could be handled by a collection/credit officer. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Online Accounts Receivable System is a fundamental requirement in proper management of credit function.

Required:

With reference to the above statement, describe six major components of an online receivable system. (6 marks)

- (b) (i) Explain the term "Accounts Receivable Financing". (2 marks)
- (ii) Enumerate six benefits of accounts receivable financing in credit management. (6 marks)
- (c) Explain the following terms as used in credit management:
- (i) Hire purchase. (2 marks)
 - (ii) Credit sale. (2 marks)
 - (iii) Conditional sale. (2 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Argue three cases for and three cases against the use of debt collection agency services to a company. (6 marks)
 - (b) Propose four circumstances when it may be reasonable and necessary to contact a debtor assigned to your cluster by your credit manager. (4 marks)
 - (c) (i) Explain the term “demand letter”. (2 marks)
(ii) State three key factors that a trading company should consider before commencing legal action against their credit debtor who is in default. (3 marks)
 - (d) Highlight five options available to a company when dealing with non-performing debt. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) List two major advantages of confirmed credit to the exporter. (2 marks)
- (b) State two major types of information submitted by lenders to credit reference bureau. (2 marks)
- (c) Outline the personal qualities of an effective debt collector. (8 marks)
- (d) Letters of credit (LC) is an undertaking by buyer’s bank to pay agreed sum of money to the seller.

Required:

Discuss four types of LC that the buyer’s bank may offer to facilitate export financing. (8 marks)

(Total: 20 marks)

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