

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)**