



DCM LEVEL II

CREDIT MANAGEMENT

MONDAY: 30 August 2021.

Time Allowed: 3 hours.

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

**QUESTION ONE**

- (a) Explain three rules that should be followed when operating a table banking system. (6 marks)
- (b) State six steps that should be taken when changing an organisation's credit policy. (6 marks)
- (c) Explain any four sections of a credit card monthly billing statement. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) With reference to banking and credit:
- (i) Explain the term "e-banking". (2 marks)
- (ii) Outline four benefits of e-banking. (4 marks)
- (b) Explain the following terms as used in microfinance:
- (i) Default. (2 marks)
- (ii) Delinquency. (2 marks)
- (iii) Village banks (VBs). (2 marks)
- (c) Explain four advantages of lease asset financing. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) With reference to credit risk assessment, explain the following terms:
- (i) Inherent risk. (2 marks)
- (ii) Risk control. (2 marks)
- (iii) Residual risk. (2 marks)
- (b) Identify any six functions of a credit committee in a savings and credit co-operative (SACCO). (6 marks)
- (c) (i) Explain the term "mortgage deed". (2 marks)
- (ii) Describe three roles of a mortgage deed. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Discuss four benefits of microfinance institutions (MFIs) in an economy. (8 marks)
- (b) Explain the following terms in relation to credit cards:
- (i) Acquiring bank. (2 marks)
- (ii) Merchant. (2 marks)

(iii) Card issuing bank. (2 marks)

(iv) Credit card association. (2 marks)

(c) Outline two merits and two demerits of online lending. (4 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

(a) Explain three features of a hire purchase agreement. (6 marks)

(b) Highlight six contents of a credit card agreement. (6 marks)

(c) Discuss four roles of a bank in an economy. (8 marks)

**(Total: 20 marks)**

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