

# KASNEB

## DCM LEVEL II

### CREDIT MANAGEMENT

MONDAY: 22 May 2017.

Time Allowed: 3 hours.

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

#### QUESTION ONE

- (a) Explain the following terms in the context of mortgage credit facility:
- (i) Spread. (2 marks)
  - (ii) Maturity gap. (2 marks)
  - (iii) Negative amortisation. (2 marks)
- (b) Outline six roles of the members of a cooperative society at the annual general meeting (AGM). (6 marks)
- (c) Describe eight advantages of using shares as security for a loan facility. (8 marks)
- (Total: 20 marks)**

#### QUESTION TWO

- (a) Describe 5Ps method of evaluating credit applications. (10 marks)
- (b) Explain five objectives of a well documented credit policy. (5 marks)
- (c) Analyse five characteristics of an operating lease. (5 marks)
- (Total: 20 marks)**

#### QUESTION THREE

- (a) Explain the following types of asset classification as used in bank credit:
- (i) Standard assets. (2 marks)
  - (ii) Sub-standard assets. (2 marks)
  - (iii) Doubtful assets. (2 marks)
- (b) Outline six characteristics of customers that could be targeted by microfinance institutions. (6 marks)
- (c) Argue four cases against informal credit providers in your county. (8 marks)
- (Total: 20 marks)**

#### QUESTION FOUR

- (a) Discuss six risks associated with credit cards. (12 marks)
- (b) Outline four factors to be considered when re-evaluating existing credit customers. (8 marks)
- (Total: 20 marks)**

#### QUESTION FIVE

- (a) Using a flowchart, illustrate the seven stages of a loan life cycle. (7 marks)
- (b) Highlight five objectives of good governance in a co-operative society. (5 marks)
- (c) With reference to the Sacco Societies Act 2008, enumerate eight actions that a debt collector is prohibited from in the course of debt collection. (8 marks)
- (Total: 20 marks)**

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