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DCM LEVEL II

CREDIT MANAGEMENT

MONDAY: 20 May 2019.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Highlight five important contents of a lease financing agreement. (5 marks)
- (b) (i) Explain the term “credit scoring”. (2 marks)
- (ii) Enumerate eight items considered by a credit scoring system in mortgage loan approval process. (8 marks)
- (c) Analyse five steps of a credit card operation cycle. (5 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Assess four features of a commercial bank credit. (4 marks)
- (b) (i) With reference to microfinance institutions, explain the term “Community-Managed Revolving Loan Funds (RLF)”. (2 marks)
- (ii) Highlight three key differences between “RLF model” and “village bank model” of microfinance lending. (6 marks)
- (c) Discuss four sources of Know Your Customer (KYC) information. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Analyse four factors that could have contributed to the rapid growth of mobile loan platforms in your country. (8 marks)
- (b) Describe six contents of a hire purchase agreement. (6 marks)
- (c) Explain three ways in which a savings and credit co-operative (SACCO) society could make use of its finances. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Discuss three challenges of accepting collateral to support mortgage lending. (6 marks)
- (b) Analyse four rights of a member of a co-operative society. (8 marks)
- (c) List six advantages of buying goods and services on credit. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) With reference to mortgage financing, explain the following terms:
- (i) Interest rate. (2 marks)
- (ii) Float. (2 marks)
- (iii) Par rate. (2 marks)
- (iv) Rate lock. (2 marks)
- (b) Describe four characteristics of an effective credit officer. (8 marks)
- (c) Identify four purposes of documentation in credit agreements. (4 marks)
- (Total: 20 marks)**

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