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DCM LEVEL II

CREDIT MANAGEMENT

TUESDAY: 26 November 2019.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Describe six canons of business credit ethics. (6 marks)
 - (b) Explain six objectives of credit management. (6 marks)
 - (c) Identify four areas that a credit analyst should consider in the mortgage loan facility monitoring process. (4 marks)
 - (d) Outline four benefits associated with proper loan documentation. (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Explain any five principles of cooperative societies. (10 marks)
 - (b) Highlight five disadvantages of using credit cards. (5 marks)
 - (c) Summarise five advantages of group lending methodology in microfinance institutions. (5 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Differentiate between “finance lease” and “sale and lease back”. (4 marks)
- (b) Discuss five factors that a credit manager should consider before adopting a conservative credit policy. (10 marks)
- (c) Table banking is a simple form of saving and credit procedure conducted at community level by people within a group where they pool funds and borrow from the same pool same day.

With reference to the above statement:

- Highlight six reports that could be generated by a table banking management system. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) With reference to banking and credit, explain the following terms:
 - (i) Advance against bank deposits. (2 marks)
 - (ii) Demand deposits. (2 marks)
 - (iii) Term deposits. (2 marks)
 - (iv) First party advances. (2 marks)
 - (b) Propose six strategies that could be adopted to minimise credit card fraud. (12 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Describe five ways in which a hire purchase contract could be terminated. (10 marks)
 - (b)
 - (i) Explain the acronym “SASRA”. (2 marks)
 - (ii) Explain four functions of SASRA in the savings and credit cooperatives (SACCOs) industry. (8 marks)
- (Total: 20 marks)**

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