



kasneb

CCP PART I SECTION 1

CREDIT MANAGEMENT

MONDAY: 17 May 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 advantages of selling products on credit. (6 marks)
- (b) Explain three types of credit information provided by a company's sales team. (6 marks)
- (c) Outline eight reasons why companies buy trade credit insurance policies. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Explain four benefits that accrue to a business for conducting extensive credit assessment before extending credit to customers. (8 marks)
- (b) Explain the relevance of the following ratios in credit risk assessment:
- (i) Quick ratio. (2 marks)
- (ii) Current ratio. (2 marks)
- (iii) Days sales outstanding (DSO). (2 marks)
- (c) Discuss three advantages of maintaining an automated sales ledger. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Describe five factors that affect credit terms. (5 marks)
- (b) Making it as easy as possible for your customers to pay is essential for increasing conversions and sales.
- With reference to the above statement:
- Outline five ways that could make the payment process easy for online customers. (5 marks)
- (c) Summarise five disadvantages of using salesmen in collection of accounts receivables. (5 marks)
- (d) List five attributes of a member of the board of directors in a lending institution. (5 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) (i) Explain the term "e-wallet". (2 marks)
- (ii) Outline two benefits and four advantages of using e-wallet as a payment method. (6 marks)
- (b) Describe three steps that organisations should put in place to improve the relationship between sales team members and credit team members. (6 marks)
- (c) Identify three benefits of applying the pareto 80/20 rule in a credit department. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

(a) Explain the following terms of payment:

(i) IMO. (2 marks)

(ii) Net 7 Prox. (2 marks)

(iii) Net. (2 marks)

(b) Identify four factors in favour of use of cash in advance term in export credit. (4 marks)

(c) Analyse three key steps in telephone collection. (6 marks)

(d) Summarise four reports used to improve credit sales collection. (4 marks)

(Total: 20 marks)

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