



**CCP PART I SECTION 1
CREDIT MANAGEMENT**

MONDAY: 27 November 2017.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) With reference to debt collection, summarise six contents of a legal demand notice issued by a lawyer. (6 marks)
- (b) Describe three checks that should be performed before credit disbursement. (6 marks)
- (c) Outline eight approaches to a successful credit function in an organisation. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Discuss the importance of the following as a measure of credit department efficiency:
- (i) Days sales outstanding. (3 marks)
- (ii) Debtors in dispute. (3 marks)
- (b) Enumerate four attributes of a good credit proposal. (4 marks)
- (c) Outline four disadvantages of granting credit. (4 marks)
- (d) Explain the following types of payment terms:
- (i) Net 7. (2 marks)
- (ii) Journey terms. (2 marks)
- (iii) Stage payments. (2 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Discuss five factors affecting payment terms in the international market. (10 marks)
- (b) (i) With reference to the credit approval process, distinguish between "substantive errors" and "procedural errors". (4 marks)
- (ii) Outline six measures that could be used to mitigate the errors in (b) (i) above. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) (i) Distinguish between a "brought-forward statement" and "open-item statement". (4 marks)
- (ii) Outline six contents of a sales ledger. (6 marks)
- (b) Describe five factors affecting credit risk in personal lending. (5 marks)
- (c) Highlight five characteristics of an effective accounts receivable system. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Explain six types of provision for bad and doubtful debts policies. (6 marks)
- (b) Discuss three key steps in telephone collection. (6 marks)
- (c) Analyse four situations in which it is favourable to use documentary method of collection in export trade. (8 marks)
- (Total: 20 marks)**