



kasneb

CCP PART III SECTION 6

CORPORATE LENDING

FRIDAY: 3 September 2021.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Discuss six factors to consider in the construction of a loan portfolio for a corporate client. (6 marks)
 - (b) Discuss the following types of corporate customers:
 - (i) Trusts. (4 marks)
 - (ii) Unincorporated organisations. (4 marks)
 - (c) Describe six steps in the implementation of a corporate strategy. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) With reference to prudential guidelines for lending institutions in your country, summarise three situations when a loan is deemed uncollectable. (6 marks)
 - (b) Distinguish between the following terms as used in corporate lending:
 - (i) "Full pay-out lease" and "non-net lease". (4 marks)
 - (ii) "Debt financing" and "equity financing". (4 marks)
 - (c) Enumerate six contents of a loan documentation file. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Analyse four limitations of ratio analysis in corporate credit risk analysis. (8 marks)
 - (b) Highlight six objectives of interviewing a loan applicant during the credit evaluation process. (6 marks)
 - (c) Examine three corporate governance issues that could have caused the credit crunch in the recent past. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) (i) Explain the term "refinancing risk". (2 marks)
 - (ii) "Refinancing may provide a range of new opportunities for businesses affected by COVID-19 pandemic".
With reference to the above statement, state six reasons why credit managers in lending institutions should consider loan refinancing. (6 marks)
 - (b) Negotiation is a skill that is important to a corporate credit analyst in corporate debt restructuring.
With reference to the above statement, discuss four benefits of good negotiation skills to a corporate credit analyst. (4 marks)
 - (c) Explain the meaning of the following terms as used in equity financing:
 - (i) Angel investors. (2 marks)
 - (ii) Crowdfunding platforms. (2 marks)
 - (iii) Venture capital firms. (2 marks)
 - (iv) Corporate investors. (2 marks)
- (Total: 20 marks)**

QUESTION FIVE

(a) According to Central Bank of your country, prudential guidelines on capital adequacy, banking institutions are to develop and implement internal capital adequacy assessment process (ICAAP).

With reference to the above statement:

(i) Explain the term “internal capital adequacy assessment process (ICAAP). (2 marks)

(ii) Enumerate six components of ICAAP as per Central Bank prudential guidelines. (6 marks)

(b) With evolution of business data analytics the use of the 3 statements model has become key to credit analysts.

Required:

Highlight four advantages of “the 3 statements model” in financial statements analysis for corporate lending. (4 marks)

(c) Differentiate between the following terms:

(i) “Debt subordination” and “lien subordination”. (4 marks)

(ii) “Second-lien loan” and “shareholder loan”. (4 marks)

(Total: 20 marks)

access thousands of free content here: www.freekcsepapers.com