

KASNEB

CCP PART III SECTION 6

CORPORATE LENDING

FRIDAY: 27 November 2015.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Describe how the following charges on movable properties could be created:
- (i) Pledge. (2 marks)
 - (ii) Hypothecation. (2 marks)
 - (iii) Assignment. (2 marks)
 - (iv) Banker's lien (2 marks)
 - (v) Set-off. (2 marks)
- (b) Discuss five reasons for carrying out cash flow analysis when evaluating a credit request for a commercial loan. (10 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) (i) Examine five norms that a bank could follow in order to minimise the risks involved in lending. (10 marks)
- (ii) As a rule, a banker is legally duty-bound to observe secrecy about the account and the affairs of the customer. However, under certain circumstances, a banker would be justified in disclosing the facts about the customer's account.
- With reference to the above statement, describe five exceptions to this rule. (5 marks)
- (b) An institution should write off a loan or a portion of a loan from its statement of financial position when the institution loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectable or there is no realistic prospect of recovery.
- With reference to the above statement, analyse five situations where an institution should write off a loan or portion of a loan. (5 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) (i) Explain the term "project finance". (3 marks)
- (ii) Identify three key features of project finance. (3 marks)
- (iii) Outline four benefits of project finance. (4 marks)
- (b) Propose five factors that could affect interest rates in your country. (10 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Discuss four types of risks associated with lending to oil and gas corporate customers. (8 marks)
- (b) You are a senior government official at the National Treasury of your country. You are mandated to negotiate for development loans with multinational donors such as the World Bank. In your recent negotiation with the World Bank, your country was granted a development policy loan with a catastrophe deferred drawdown option (Cat DDO).

With reference to the above statement:

- (i) Explain the term “development policy loan with a catastrophe deferred drawdown option (Cat DDO)”. (2 marks)
 - (ii) Analyse five benefits of Cat DDO to your country. (10 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Explain the term of payment “2/10 net 30”. (2 marks)
 - (b) Evaluate four types of intangible loan securities. (8 marks)
 - (c) Propose five factors that could affect the cost of capital for a multinational corporation (MNC). (10 marks)
- (Total: 20 marks)**
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