



**CCP PART I SECTION 1**  
**CREDIT MANAGEMENT**

**MONDAY: 26 November 2018.**

**Time Allowed: 3 hours.**

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

**QUESTION ONE**

- (a) (i) Explain the term “borrowing base”. (2 marks)
- (ii) Describe three ways in which a credit manager could use the borrowing base. (3 marks)
- (b) In order to offer payment services, mobile payment service providers are required to enter into customer service agreement with the customers.

**Required:**

Examine nine issues that should be included in the customer service agreement. (9 marks)

- (c) A credit manager should occasionally sample loans granted to determine the effectiveness of the organisation’s credit risk management framework.

With reference to the above statement, highlight six factors to consider when selecting the sample of loans to be reviewed. (6 marks)

**(Total: 20 marks)**

**QUESTION TWO**

- (a) Explain six risks covered under the comprehensive short term guarantee. (6 marks)
- (b) Describe eight mechanisms that could be adopted by a credit controller to ensure prompt payment of export credit. (8 marks)
- (c) Examine three measures that a credit manager should incorporate when developing procedures for administering a sales ledger. (6 marks)

**(Total: 20 marks)**

**QUESTION THREE**

- (a) Analyse three types of training programmes available for credit department staff. (6 marks)
- (b) Distinguish between “balance transfer credit cards” and “secured credit cards”. (4 marks)
- (c) Collection and debt repayment agencies must create and maintain records of all their activities relating to collection or debt repayment.

With reference to the above statement, list six kinds of records that should be maintained by collection agents. (6 marks)

- (d) Highlight four disadvantages of trade credit. (4 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

- (a) Highlight four factors that should be taken into account in making financial decisions. (4 marks)
- (b) Explain four problems associated with lack of information technology (IT) systems in credit control process. (4 marks)

(c) Describe four problems associated with manual "cash matching". (8 marks)

(d) The following information was extracted from the books of Sukuma Mbele Ltd.:

1. Sales for the year ended 31 December 2017 amounted to Sh.180,000.
2. Debtors as at 31 December 2017 amounted to Sh.30,000.

**Required:**

(i) Calculate the average number of day's sales still owing at the end of the period. (2 marks)

(ii) Calculate the average number of sales still owing in terms of months. (2 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

(a) List seven performance measures used in a credit department. (7 marks)

(b) Enumerate six guidelines that should be included in a credit policy. (6 marks)

(c) Highlight seven credit control measures that a firm should adopt. (7 marks)

**(Total: 20 marks)**

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