

KASNEB

CCP PART I SECTION 1

CREDIT MANAGEMENT

FRIDAY: 20 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) (i) Explain the term "debt compromise". (2 marks)
- (ii) Describe three situations when a debt could be compromised. (6 marks)
- (b) Analyse four attributes of a good online payment system. (8 marks)
- (c) Propose four ways of improving individual creditworthiness through the social media. (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Explain the following types of credit inquiries:
- (i) Hard inquiries. (2 marks)
- (ii) Account review inquiries. (2 marks)
- (iii) Promotional inquiries. (2 marks)
- (b) Summarise six functions of a credit application form. (6 marks)
- (c) Outline eight collection tools that could be used by credit department staff to enhance their collection effort. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Describe the four steps of risk assessment in a credit department. (8 marks)
- (b) Explain the following modes of payment as used in export trade:
- (i) Sight draft. (2 marks)
- (ii) Open account trading. (2 marks)
- (iii) On consignment. (2 marks)
- (c) Discuss three types of credit insurance guarantee. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Outline four benefits of debt consolidation to the borrower. (4 marks)
- (b) Highlight the content of a letter of instructions to sue. (5 marks)
- (c) Explain three advantages of financial statement analysis to a lender. (6 marks)
- (d) Describe five causes of credit default. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Enumerate four ways a credit manager could utilise to encourage timely payment of debt. (4 marks)
- (b) Explain three sources of public information used in customer credit assessment. (6 marks)
- (c) Discuss three types of evidence that could be produced by the parties in a contested case in debt recovery. (6 marks)
- (d) Describe four factors that could affect the credit decision making process. (4 marks)

(Total: 20 marks)

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