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CCP PART I SECTION 1

CREDIT MANAGEMENT

MONDAY: 20 May 2019.

Time Allowed: 3 hours.

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

**QUESTION ONE**

- (a) Explain four advantages of direct debit as a method of payment. (4 marks)
- (b) Discuss three advantages of customer risk categorisation. (6 marks)
- (c) In reference to 80/20 rule, analyse the procedure of selecting key accounts from a mass of ordinary accounts. (4 marks)
- (d) Describe two measures that a credit manager could put in place in order to improve the relationship between the organisation and the key account customers. (6 marks)

**(Total: 20 marks)**

**QUESTION TWO**

- (a) Explain the following types of payment terms:
  - (i) Contra terms. (2 marks)
  - (ii) Middle of month terms. (2 marks)
  - (iii) Cash before delivery terms. (2 marks)
- (b) Outline eight types of information that are provided by lenders to credit reference agencies. (8 marks)
- (c) Describe three types of business risks that are covered under commercial insurance. (6 marks)

**(Total: 20 marks)**

**QUESTION THREE**

- (a) Explain four types of consumer credit products in your country. (8 marks)
- (b) Highlight four characteristics of an effective payment method. (4 marks)
- (c) Explain four reasons why courts are referred to as “last resort” in debt recovery. (8 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

- (a) Explain eight objectives that a credit policy should satisfy in an organisation. (8 marks)
- (b) Propose six ways in which the use of credit information systems could help improve a customer’s credit risk assessment. (6 marks)
- (c) Analyse six factors a credit manager should consider when formulating a conservative credit policy for an organisation. (6 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

- (a) Describe five steps that should be followed when opening a new customer account. (5 marks)
- (b) Explain seven factors which influence the level of investment in account receivables. (7 marks)
- (c) Analyse four advantages of using internal sources of finance to finance credit. (8 marks)

**(Total: 20 marks)**

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