



CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 30 November 2017.

Time Allowed: 3 hours.

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

QUESTION ONE

(a) Discuss four adverse effects of interest rate capping law that might accrue to a particular country. (8 marks)

(b) The banking industry has been locked with cyber attacks which have become “more sophisticated and more targeted”.

With reference to the above statement, propose four areas that a bank cyber risk management policy should address. (4 marks)

(c) Risk classification of asset and loan-loss provisioning allows a savings and credit cooperative (SACCO) Society to write-off loans for prudential purposes.

With reference to the above statement:

(i) Describe three conditions under which a SACCO Society could write-off a loan or part of the loan from its statement of financial position. (3 marks)

(ii) Highlight five circumstances when the conditions mentioned in (c) (i) above shall be deemed to have arisen. (5 marks)

(Total: 20 marks)

QUESTION TWO

(a) Differentiate between a “deposit-taking microfinance institution” and a “non-deposit-taking microfinance institution”. (4 marks)

(b) In relation to collateral taking, highlight six risks related to perfection of collaterals for asset-backed loans. (6 marks)

(c) Explain five sources of credit information that could be used to re-assess an existing customer. (10 marks)

(Total: 20 marks)

QUESTION THREE

(a) Examine six characteristics of an insurable risk. (6 marks)

(b) (i) Explain the term “credit default swaps (CDS)”. (2 marks)

(ii) Propose four advantages of credit derivatives. (4 marks)

(c) Analyse four characteristics of microfinance individual lending model. (8 marks)

(Total: 20 marks)

QUESTION FOUR

(a) Explain the following terms as used in credit management:

(i) Bearer Bonds. (2 marks)

(ii) Deep discount Bonds. (2 marks)

(b) Examine five likely causes of inefficiency in the microfinance institutions from an industry perspective. (10 marks)

(c) Discuss three clauses contained in a lease agreement. (6 marks)

(Total: 20 marks)

QUESTION FIVE

(a) Summarise the six key types of information contained in an individual credit report as issued by a credit reference bureau. (6 marks)

(b) Evaluate how the acronym C.A.M.P.A.R.I. is used as a tool of principles of good lending. (14 marks)

(Total: 20 marks)

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