



DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

MONDAY: 21 May 2018.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Enumerate six contents of a customer master file. (6 marks)
- (b) Examine three differences between a “bankers cheque” and a “personal cheque”. (6 marks)
- (c) Explain four risks associated with export credit. (8 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Banks no doubt remain a good source of information as far as credit risks are concerned.

With reference to the above statement, describe three forms of bank reference that a bank could provide in response to a request for credit risk assessment. (6 marks)

- (b) Summarise six sources of working capital. (6 marks)
- (c) Outline four reasons of raising a credit note. (4 marks)
- (d) Describe the four parties to a standard letter of credit. (4 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Describe five benefits of establishing collection performance measures. (5 marks)
- (b) Before legal action is taken, a formal letter of claim or demand letter must be done and sent to the debtor.

With reference to the above statement, enumerate six types of information that is contained in a letter of claim or demand letter. (6 marks)

- (c) Enumerate nine rewards that could be used to motivate credit department staff in an organisation. (9 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) (i) Differentiate between “monthly current account” and “budget account” types of credit. (4 marks)
- (ii) Describe four characteristics of the budget account in 4(a)(i) above. (4 marks)

- (b) Highlight four benefits of conducting Know Your Customer (KYC) checks on new credit customers. (8 marks)

- (c) Analyse four types of information that the sales department would require from the credit department. (4 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Differentiate between “Offsetting clause” and “Acceleration clause” as used in loan agreements. (4 marks)
- (b) Explain five types of export certification used in export credit. (10 marks)
- (c) Enumerate six tasks that could be substantially aided by computer systems in a credit department. (6 marks)

(Total: 20 marks)

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