

KASNEB

DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

MONDAY: 22 May 2017.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Enumerate five advantages of undertaking internal audit of the credit risk processes. (10 marks)
- (b) Describe five appropriate occasions when a business could use a collection agency. (5 marks)
- (c) Assess five costs associated with extending credit. (5 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Outline eight reports that could be used to measure the performance of a credit department. (8 marks)
- (b) Analyse the unique credit risks associated with the following types of customers:
- (i) Individuals. (2 marks)
- (ii) Sole traders. (2 marks)
- (iii) Limited companies. (2 marks)
- (c) Enumerate six items contained in a commercial invoice. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain four advantages of a direct debit method of payment. (8 marks)
- (b) Describe four ways of encouraging debtors to pay on time. (8 marks)
- (c) Analyse four advantages of an online credit application form to a credit manager. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Explain the following payment terms:
- (i) Stage payment. (2 marks)
- (ii) Contra account. (2 marks)
- (iii) Load over load. (2 marks)
- (b) Describe four contents of a personal loan application form. (8 marks)
- (c) Highlight six documents used in export trade. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Analyse four contents of a credit reference bureau (CRB) clearance certificate. (4 marks)
- (b) Discuss three factors to consider before commencement of debt recovery through the legal process. (6 marks)
- (c) Describe five advantages of centralised credit operations. (5 marks)
- (d) Enumerate five areas of control that must be addressed to ensure efficient sales ledger maintenance. (5 marks)
- (Total: 20 marks)**

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