

KASNEB

DCM LEVEL II

CREDIT MANAGEMENT

MONDAY: 23 May 2016.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Describe six characteristics of informal credit markets in developing countries. (6 marks)
- (b) State eight factors that should be taken into account when formulating a company's credit policy. (8 marks)
- (c) Explain the following types of mortgage products:
- (i) Equity release mortgages. (2 marks)
 - (ii) Fixed rate mortgages. (2 marks)
 - (iii) Adjustable rate mortgages. (2 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Enumerate eight reasons why knowing your customer (KYC) is important in credit assessment. (8 marks)
- (b) Discuss the three stages of credit application in a financial institution. (6 marks)
- (c) Describe three principles of cooperatives. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) In the context of bank credit, describe the following types of facilities:
- (i) Fund based facilities. (3 marks)
 - (ii) Non-Fund based facilities. (3 marks)
- (b) Assess six advantages of the Asset Based Lending (ABL) methodology. (6 marks)
- (c) Explain four risks associated with agent banking and mobile payment. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Highlight six characteristics of a financial lease. (6 marks)
- (b) Describe four methods of terminating a hire purchase agreement. (8 marks)
- (c) Enumerate six signs of corporate failure in your country. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Examine five factors that could influence the amount of fees charged by lenders for a credit facility. (10 marks)
- (b) Analyse five instances when a person's credit report could be obtained without their consent. (5 marks)
- (c) Highlight five features of good governance practice in cooperatives. (5 marks)
- (Total: 20 marks)**

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