



DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

TUESDAY: 26 November 2019.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Identify five sources of customer information used in credit assessment. (5 marks)
 - (b) State four characteristics of an effective customer monthly statement. (4 marks)
 - (c) Credit management is not just about finding the best way to minimise debt or the most efficient way possible. It is about developing relationships with clients so that business outcomes are achieved and profits are increased.

With reference to the above statement, analyse three objectives of credit management that are imperative to ensuring profitable business. (6 marks)
 - (d) Suggest five factors to consider when setting payment terms. (5 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Describe four features of a hire purchase contract. (8 marks)
 - (b) Summarise six qualities of a good credit manager. (6 marks)
 - (c) Highlight six advantages of offering a settlement discount. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Discuss three categories of credit business in your country. (6 marks)
 - (b) Outline six circumstances that could lead to a personal cheque being dishonoured by the bank. (6 marks)
 - (c) With reference to credit records and reports, explain the following types of reports:
 - (i) Aged analysis. (2 marks)
 - (ii) Over-limit report. (2 marks)
 - (iii) Disputed debt analysis report. (2 marks)
 - (iv) Selective overdue report. (2 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Analyse three advisory services that are provided by a factor in a factoring finance arrangement. (6 marks)
 - (b) Enumerate four benefits of installing a collection management software. (4 marks)
 - (c) Explain five debt collection tools used in credit management. (10 marks)
- (Total: 20 marks)**

QUESTION FIVE

(a) Distinguish between the following types of bills of exchange:

(i) "Documentary bill" and "Demand bill".

(4 marks)

(ii) "Inland bills" and "Foreign bills".

(4 marks)

(b) Explain six rules that a credit manager could use for effective debt collection.

(12 marks)

(Total: 20 marks)

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