



kasneb

CCP PART I SECTION 1
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) Highlight four advantages of creating a company's internal debt collection unit. (4 marks)
 - (b) Explain four benefits of trade credit insurance to the suppliers. (8 marks)
 - (c) Discuss four stages of the credit appraisal process of a customer. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Enumerate four contents of a well written credit policy. (8 marks)
 - (b) Describe six factors to consider when formulating credit terms. (6 marks)
 - (c) Outline six benefits of effectively managing accounts receivable. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Discuss three best practice guidelines for managing credit risk in commercial banks. (6 marks)
 - (b) "Payment plans should be negotiated only when a customer cannot pay all the past due amount within a 30-day time frame".
With reference to the above statement:
 - (i) Enumerate two objectives of negotiating a payment plan. (2 marks)
 - (ii) Explain six key steps in a payment negotiation plan. (6 marks)
 - (c) (i) Explain the term "accounts receivable ageing schedule". (2 marks)
(ii) Identify four major columns in an accounts receivable ageing schedule. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Describe six features of a good billing management system. (6 marks)
 - (b) Identify six indicators of a cash strained business. (6 marks)
 - (c) Explain eight responsibilities of a credit manager. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Analyse three payment methods commonly used in trade credit. (6 marks)
 - (b) Propose five benefits of using brokers when purchasing credit insurance policies. (10 marks)
 - (c) Highlight four characteristic of a good credit proposal. (4 marks)
- (Total: 20 marks)**