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CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

FRIDAY: 27 November 2020.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Discuss six objectives of cooperative societies movement in your country. (6 marks)
- (b) Summarise six rights of a hire purchaser in a hire purchase agreement. (6 marks)
- (c) Explain the following lease rental structures:
 - (i) Equal annual plan. (2 marks)
 - (ii) Stepped up plan. (2 marks)
 - (iii) Balloon payment plan. (2 marks)
 - (iv) Deferred payment plan. (2 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Examine 4P's of agricultural credit assessment/appraisal. (8 marks)
- (b) Discuss three features of credit card application form. (6 marks)
- (c) Assess three key operating principles of microfinance institutions (MFIs) in your country. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Discuss four laws that govern the operations of cooperative societies as a form of business. (8 marks)
- (b) Outline six duties of a "loans committee" in credit management. (6 marks)
- (c) Assess three types of risks associated with crowd funding for investors. (6 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Highlight five types of information collected by a credit manager when assessing a loan application for a commercial real estate customer. (5 marks)
- (b) Enumerate five factors that a person should consider when applying for a loan. (5 marks)
- (c) Client retention and group management is key to sustainable growth and sound risk management of micro-finance institutions. However, inevitably some mature clients within groups exhibit signs of fatigue in group lending activities.

With reference to the above statement:

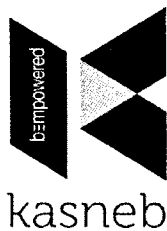
- (i) Propose five reasons why mature group clients tend to show signs of reduced interest in group lending activities. (5 marks)
- (ii) Summarise five features of successful Village Savings and Loaning Associations (VSLAs). (5 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Movable properties are used as collateral for loans and as such require proper legal provisions for their effectiveness. In relation to this statement:
- (i) Summarise eight legal and regulatory objectives of the Movable Property Security Rights Act in development of efficient and effective credit markets in your country. (8 marks)
 - (ii) Examine two limitations of using Stock Exchange Securities as collateral for loan. (2 marks)
- (b) Discuss the 5P's of lending in Credit Analysis. (10 marks)
- (Total: 20 marks)**
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CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

WEDNESDAY: 27 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) Distinguish between “hire purchase” and “lease financing” under the following headings:
- (i) Tax benefits. (2 marks)
 - (ii) Salvage value. (2 marks)
 - (iii) Deposit required. (2 marks)
 - (iv) Maintenance. (2 marks)
- (b) (i) Explain the term “digital credit”. (2 marks)
- (ii) Propose five minimum transparency and disclosure standards that digital credit providers should follow. (5 marks)
- (c) Microfinance allows individuals living in poverty to be financially independent to better their living conditions.
- With reference to the above statement, explain five benefits of microfinance in developing countries. (5 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Discuss four steps of creating an equitable mortgage on a property. (8 marks)
- (b) In relation to Movable Property Security Rights Act:
- (i) Explain the term “Notice of Disposition”. (2 marks)
 - (ii) Enumerate five remedies available to a secured creditor as relief for non-compliance with default notification by grantor. (5 marks)
- (c) During the recently concluded annual general meeting (AGM), members of your Savings and Credit Co-operative (SACCO) approved a resolution to include land as an acceptable collateral in the SACCO’s By-Laws.
- With reference to the above statement, prepare a checklist of five documents that the SACCO will require to facilitate the charging of land. (5 marks)
- (Total: 20 marks)**

QUESTION THREE

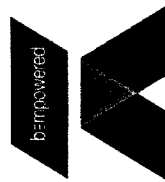
- (a) Discuss five roles of the risk management function in lending. (5 marks)
- (b) Explain five principles of good lending that every lending institution should observe. (10 marks)
- (c) Examine five duties of the Commissioner of Co-operatives in the development of sustainable Co-operatives in your country. (5 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Describe four strategic factors that microfinance institutions (MFIs) should take into account before designing and launching new credit products in the market. (8 marks)
 - (b) Discuss four advantages and four disadvantages of securitisation to an issuer. (8 marks)
 - (c) Enumerate four functions of mortgage refinance company in accordance with Central Bank regulations in your country. (4 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Assess four steps involved in structuring a loan facility by a microfinance institution (MFI). (4 marks)
 - (b) With reference to mortgage financing:
 - (i) Explain the term “work out”. (2 marks)
 - (ii) Suggest four possible alternatives available to a mortgagor during a mortgage work out. (4 marks)
 - (c) Analyse six steps of credit card business cycle process. (6 marks)
 - (d) Outline four disadvantages of using real estate as a security for a loan. (4 marks)
- (Total: 20 marks)**
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CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

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THURSDAY: 23 May 2019.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Analyse any three stages in a loan origination process. (6 marks)
- (b) (i) Explain the term “credit enhancement”. (2 marks)
- (ii) Describe four types of credit enhancement methods. (8 marks)
- (c) Examine four purpose of “Truth in Lending Disclosure”. (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Discuss three applications of credit portfolio models by financial institutions. (6 marks)
- (b) Enumerate five types of information that should be included in the savings and credit cooperative (SACCO) credit policy. (5 marks)
- (c) Outline five benefits associated with secured credit card programs. (5 marks)
- (d) Discuss four factors a credit analyst should consider when evaluating a sovereign credit application. (4 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Examine six mortgage market constraints impeding the growth of mortgage financing in your country. (6 marks)
- (b) Discuss four factors that a credit analyst should consider when appraising a manufacturing entity for a commercial loan. (8 marks)
- (c) Explain three modes of creating a charge over a security by banks when advancing loan facilities. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) In relation to risk classification of assets and provisioning of facilities and assets:
- (i) Compare “Expected Credit Loss (ECL) model” and “Incurred Credit Loss (ICL) model”. (6 marks)
- (ii) Assess three major weaknesses of impairment model incurred loss that have led to Expected Credit Loss model. (3 marks)

- (b) Instalment method of ageing of loans portfolio should not be used by the micro-finance sector.

With reference to the above statement:

- (i) Assess six impact of instalment ageing method when all loans are past the loan term. (6 marks)
- (ii) Explain five impact of instalment ageing method when all loans are within the loan term. (5 marks)
- (Total: 20 mark)**

QUESTION FIVE

- (a) (i) Explain the term “chargeback” as used in credit card management. (2 marks)
- (ii) Discuss three reasons for chargeback in credit card management. (6 marks)
- (b) An annual general meeting of a co-operative society shall be convened by giving at least fifteen day written notice to the members.
- With reference to the above statement, highlight six types of businesses that are transacted during an annual general meeting (AGM). (6 marks)
- (c) Examine three factors that should be considered when evaluating liquidity in asset based lending. (6 marks)
- (Total: 20 marks)**
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CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 29 November 2018.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) With reference to International Financial Reporting Standard (IFRS) 9 “Financial instruments”:
- (i) Explain the three stages of impairment of financial assets. (6 marks)
 - (ii) Analyse three considerations to be taken into account when measuring impairment loss in stage 1 of impairment of financial assets. (3 marks)
- (b) Summarise five aspects in which securities interests should be perfected. (5 marks)
- (c) Describe five types of concessions that a lender could avail to a troubled borrower. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Describe four principal duties of the know your customer (KYC) unit in a financial institution. (4 marks)
- (b) Discuss the acronym “PAPERS” as used in expert’s credit evaluation system. (8 marks)
- (c) Suggest four limitations of using inventories as “security” against a loan. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Describe six disadvantages of mortgaging as a source of finance. (6 marks)
- (b) Assess four factors to be considered before signing a lease agreement. (8 marks)
- (c) With reference to advertising for Hire Purchase, explain three types of advertisements allowed by law in your country. (6 marks)
- (Total: 20 marks)**

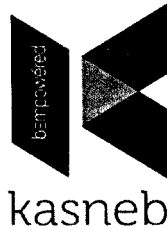
QUESTION FOUR

- (a) Evaluate six circumstances under which a cooperative society might be dissolved other than through Annual General Meeting (AGM). (6 marks)
- (b) Examine four factors that credit card issuers should consider while deciding whether to approve an application for a new credit card. (8 marks)
- (c) Discuss three measures that could be used by microfinance organisation to enforce credit contracts. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Explain the following terms as used in credit management:
- (i) Seasonal working capital loans. (2 marks)
 - (ii) Open credit lines. (2 marks)
 - (iii) Asset-based loans. (2 marks)
- (b) Discuss the 5Cs referred to as bad Cs in credit management. (10 marks)
- (c) Analyse four major risks associated with mortgage banking. (4 marks)
- (Total: 20 marks)**

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CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 24 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 factors that the central bank of your country should consider when categorising an institution as a deposit taking microfinance institution. (6 marks)
 - (b) Identify six signs of a troubled real estate market. (6 marks)
 - (c) Evaluate four likely causes of house foreclosure. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) (i) Explain two types of reserves maintained by cooperative societies. (4 marks)
 - (ii) Enumerate four characteristics of cooperative societies reserves. (4 marks)
 - (b) Discuss six factors that a financial institution should consider when estimating their credit losses. (6 marks)
 - (c) With reference to mortgage financing facility, describe any three types of construction lending. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) In relation to credit management of a savings and credit cooperative (sacco) society under the Sacco Societies (Deposit-taking Sacco business) Regulations, 2010:
 - (i) Describe six disclosure requirements regarding lending terms and legal obligations between the parties. (6 marks)
 - (ii) Analyse four disclosure requirements on insider-lending. (8 marks)
 - (b) Discuss three risks associated with group lending methodology used by microfinance institutions. (6 marks)
- (Total: 20 marks)**

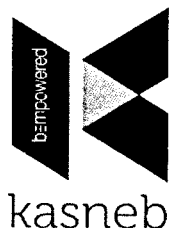
QUESTION FOUR

- (a) Highlight four factors that a prospective lender should take into account while advancing credit on the security of goods. (4 marks)
 - (b) Discuss five disclosure requirements contained in a mortgage contract. (10 marks)
 - (c) Evaluate six benefits associated with syndicated market source of financing. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Discuss four circumstances when modification of a charge is required. (8 marks)
 - (b) Describe four precautions a credit cardholder should undertake when purchasing goods online. (4 marks)
 - (c) Explain the LAPP model of credit evaluation. (8 marks)
- (Total: 20 marks)**

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CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 30 November 2017.

Time Allowed: 3 hours.

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

QUESTION ONE

(a) Discuss four adverse effects of interest rate capping law that might accrue to a particular country. (8 marks)

(b) The banking industry has been locked with cyber attacks which have become “more sophisticated and more targeted”.

With reference to the above statement, propose four areas that a bank cyber risk management policy should address. (4 marks)

(c) Risk classification of asset and loan-loss provisioning allows a savings and credit cooperative (SACCO) Society to write-off loans for prudential purposes.

With reference to the above statement:

(i) Describe three conditions under which a SACCO Society could write-off a loan or part of the loan from its statement of financial position. (3 marks)

(ii) Highlight five circumstances when the conditions mentioned in (c) (i) above shall be deemed to have arisen. (5 marks)

(Total: 20 marks)

QUESTION TWO

(a) Differentiate between a “deposit-taking microfinance institution” and a “non-deposit-taking microfinance institution”. (4 marks)

(b) In relation to collateral taking, highlight six risks related to perfection of collaterals for asset-backed loans. (6 marks)

(c) Explain five sources of credit information that could be used to re-assess an existing customer. (10 marks)

(Total: 20 marks)

QUESTION THREE

(a) Examine six characteristics of an insurable risk. (6 marks)

(b) (i) Explain the term “credit default swaps (CDS)”. (2 marks)

(ii) Propose four advantages of credit derivatives. (4 marks)

(c) Analyse four characteristics of microfinance individual lending model. (8 marks)

(Total: 20 marks)

QUESTION FOUR

(a) Explain the following terms as used in credit management:

(i) Bearer Bonds. (2 marks)

(ii) Deep discount Bonds. (2 marks)

(b) Examine five likely causes of inefficiency in the microfinance institutions from an industry perspective. (10 marks)

(c) Discuss three clauses contained in a lease agreement. (6 marks)

(Total: 20 marks)

QUESTION FIVE

(a) Summarise the six key types of information contained in an individual credit report as issued by a credit reference bureau. (6 marks)

(b) Evaluate how the acronym C.A.M.P.A.R.I. is used as a tool of principles of good lending. (14 marks)

(Total: 20 marks)

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CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 25 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) Describe four situations in which it would be necessary to apply "Know Your Customer (KYC) policy" in microfinance. (8 marks)
- (b) Explain four reasons for global growth of microfinance. (4 marks)
- (c) Analyse four components of a loan agreement. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) "DIVAN" is an acronym for the security taking procedure by lenders.
With reference to the above statement, explain the meaning of the acronym. (6 marks)
- (b) Discuss four advantages of using sale and lease back as a form of financing. (8 marks)
- (c) Propose three drawbacks of using ratios to measure creditworthiness of a customer. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) According to the Fair Credit Reporting Act (FCRA) and Credit Reference Bureaus Regulations, all users of consumer credit report must have a permissible purpose to obtain the report.
Required:
With reference to the above statement, examine eight permissible purposes of obtaining consumer credit report. (8 marks)
- (b) Describe seven features of a real estate loan granted by banks to their customers. (7 marks)
- (c) Explain five advantages of hire purchase as a source of asset financing. (5 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Outline five factors that could cause a declaration of SACCO loan due before its expiration, requiring total payment of the loan. (10 marks)
- (b) Summarise five provisions of the Consumer Protection Act in relation to mortgages in your country. (10 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) (i) Explain the term "finance lease". (2 marks)
- (ii) Outline three conditions that qualifies a lease to be classified as a finance lease. (3 marks)
- (b) Highlight seven precautions that a prospective member should take into account when joining a SACCO. (7 marks)
- (c) Discuss four measures that a credit manager could implement in an effort to prevent problem loans from arising and recurring. (8 marks)
- (Total: 20 marks)**
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KASNEB

CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 26 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) Analyse five scenarios in which a cooperative society regulator would require a cooperative society to maintain higher minimum capital ratios. (5 marks)
- (b) Evaluate five factors that could affect a lender's likelihood of being repaid for loans issued to finance commercial real estate. (5 marks)
- (c) Describe three portfolio quality ratios relevant to a microfinance institution's credit manager. (6 marks)
- (d) Distinguish between "best efforts for a public offering" and "firm commitment for a public offering". (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Explain five benefits of asset securitisation. (5 marks)
- (b) Discuss four factors that could have contributed to the rapid transformation in the banking and financial sector in your country. (8 marks)
- (c) Highlight seven advantages of reverse mortgages. (7 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Discuss five challenges facing the credit card industry in your country. (10 marks)
- (b) Explain the following terms as used in bank credit risk control:
- (i) Position limits. (2 marks)
- (ii) Risk rating loans. (2 marks)
- (iii) Loan covenants. (2 marks)
- (c) Propose four factors that could lead to the decline of a credit application by a lender. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Examine six elements of a lender's real estate lending policy. (6 marks)
- (b) Explain six risks associated with lease financing. (6 marks)
- (c) The process of recovering funds from a problematic loan is known as loan workout. With reference to the above statement, evaluate the eight steps of loan workout. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) In order to minimise losses, it is necessary for microfinance institutions to develop appropriate delinquency management systems and monitor portfolio quality. In light of the above statement, discuss six strategies that could be adopted in developing a sound delinquency management system of microfinance institutions. (12 marks)
- (b) Analyse four methods by which a banker could obtain a charge over the debtor's property. (8 marks)
- (Total: 20 marks)**

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CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 26 November 2015.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Discuss five factors that microfinance institutions (MFIs) should consider when designing their security and collateral policies. (10 marks)
- (b) Describe three types of credit card fraud. (6 marks)
- (c) A new television set (TV) costs USD 690 cash. It is available on hire purchase (H.P) by paying a deposit of 15% followed by 12 instalments of USD 55.85.

Required:

- (i) Calculate the total hire purchase price. (2 marks)
- (ii) Compute the difference between the hire purchase price and the cash price. (2 marks)

(Total: 20 marks)

QUESTION TWO

- (a) (i) Explain the term "truth-in-lending disclosure statement" as used in mortgage finance. (2 marks)
- (ii) Examine four items contained in the truth-in-lending disclosure statement. (8 marks)
- (b) Describe five objectives of the union of savings and credit co-operatives in your country. (5 marks)
- (c) Analyse five characteristics of income producing real estate (IPRE) funding. (5 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Highlight four risks associated with specialised lending. (4 marks)
- (b) Propose five factors to consider in lending. (10 marks)
- (c) (i) Explain the term "perfected security interest" as used in lending. (2 marks)
- (ii) Describe four ways through which a secured party could perfect a security interest. (4 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Samuel Tosh would like to purchase a Sh.15,000,000 home and is considering making a Sh.2,500,000 down payment for a 7.5 percent, 30 year, fixed-rate mortgage.

Required:

- (i) Calculate the required monthly principal and interest payment on this mortgage. (4 marks)
- (ii) Assume that the appraised value of the property Samuel Tosh hopes to buy is Sh.15,625,000.
Calculate the loan to value ratio. (3 marks)
- (iii) Advise whether the lender might require Samuel Tosh to obtain private mortgage insurance (PMI). (2 marks)
- (b) Analyse six measures adopted by lenders to mitigate credit risk. (6 marks)
- (c) Outline five lending disclosure requirements of a savings and credit cooperative society (SACCO) to its members. (5 marks)

(Total: 20 marks)

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QUESTION FIVE

- (a) In a commercial mortgage backed security, a multi borrower transaction credit assessment is used if the collateral pool consists of many underlying loans, while a single property transaction credit assessment is used if most of the underlying collateral consists of a single property loan.

With reference to the above statement, analyse four factors in each case that a lender could consider when performing credit assessment on:

- (i) Multi-borrower transaction. (4 marks)
 - (ii) Single property transaction. (4 marks)
- (b) Examine seven conditions in a lease finance agreement. (7 marks)
- (c) Financial inclusion is the delivery of formal financial services in a reliable, convenient, affordable, continuous and flexible manner to those without access to financial services. These include individuals, households, micro, small and medium-sized entrepreneurs.

With reference to the above statement, suggest five initiatives that the central bank of your country has undertaken to promote financial inclusion. (5 marks)

(Total: 20 marks)

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CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

PILOT PAPER

September 2015.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Delinquent loans play a critical role in micro-finance institutions (MFIs) expenses, cash flow, revenue and profitability. Discuss five essential elements of managing delinquency in MFIs. (10 marks)
- (b) Loan portfolio management is one of the newest field of credit risk management in the financial sector. Examine five incentives leading to the development of loan portfolio management as a way of managing credit. (10 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Competition among banks for size and market influence can result in the compromise of credit principles and acquisition of unsound loans which has a damaging effect on asset quality. This may eventually erode profitability.

Required:

As a newly recruited credit manager of a bank that has been making losses due to poor lending principles and policies and asset quality, propose to the Board of Directors five causes of poor lending policies and poor loan asset quality. (10 marks)

- (b) Differentiate between "credit cards" and "charge cards". (4 marks)
- (c) Ujenzi Bank specialises in lease financing. The board of directors of the bank has requested that you be outsourced to examine the leases, risks and risk management practices of the bank's leasing business.

Required:

In your examination report on existing leases, lease risk and risk management, point out key areas that the report would address. (6 marks)

QUESTION THREE

- (a) Differentiate between "consumer hire purchase" and "industrial hire purchase". (4 marks)
- (b) Mr Kabareso is a company director of a multinational corporation earning a salary of Sh.9,800,000 per annum. He is arranging the sale of his current home on which there is an outstanding mortgage of Sh.6,000,000 for Sh.24,000,000. He is proposing to buy a larger house of Sh.28,000,000 on which a further Sh.4,000,000 will have to be spent on improvements and alterations. He has Sh.300,000 from the sale of some shares which he is proposing to use on the purchase.

Other details pertaining removal expenses are:

Estate agents' fees	1%
VAT	15%
Solicitors fees	Sh.250,000
Stamp duty	1%

Required:

Calculate the amount of mortgage finance that the customer would need in the above situation and advise the bank whether or not to offer the amount needed. (10 marks)

- (c) With reference to credit risk management, describe the following terms:
- (i) Credit migration. (3 marks)
- (ii) Credit enhancement. (3 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Describe the "Polarisation Rule". (3 marks)
- (b) As a credit analyst of a well established bank dealing with asset finance, assess the information that could be of particular interest when you are analysing quality of assets that a client has presented as collateral, given his fixed assets movement schedule. (6 marks)
- (c) The following is an extract from the statement of financial position of Busara Ltd. as at 31 December 2013 and 31 December 2012:

	31 December 2013	31 December 2012
Land and buildings	750,000	500,000
Plant and machinery	140,000	60,000
Other assets	<u>210,000</u>	<u>240,000</u>
	<u>1,100,000</u>	<u>1,100,000</u>
Share capital	100,000	100,000
Revaluation reserve	250,000	-
Profit and loss reserve	<u>750,000</u>	<u>700,000</u>
	<u>1,100,000</u>	<u>800,000</u>

Required:

From information given above, evaluate the changes that took place in the figures of assets and reserves of the company. (4 marks)

- (d) (i) Describe the term "Merchant Processing Activity". (2 marks)
 - (ii) In relation to merchant processing, explain the five stages of credit card transaction authorisation process. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Financial viability and sustainability of cooperatives is dependent on adoption of good corporate governance. Explain nine responsibilities vested upon Ministry in charge of cooperatives to ensure good corporate governance among cooperative societies in your country. (9 marks)
 - (b) Describe two forms of instalment credit in relation to hire purchase. (4 marks)
 - (c) Assess seven benefits of asset securitisation in relation to a bank's asset finance. (7 marks)
- (Total: 20 marks)**
-