



CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 20 May 2021.

Time Allowed: 3 hours.

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

**QUESTION ONE**

- (a) Examine three precautions that should be undertaken by a bank after a mortgage has been created. (6 marks)
- (b) Enumerate six indicators of good corporate governance in a Savings and Credit Co-operative Society (SACCO). (6 marks)
- (c) Explain four terms and conditions that should be contained in a credit card agreement. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Discuss four stages of the credit management process. (8 marks)
- (b) Explain six sources of funding for micro-finance institutions (MFIs). (6 marks)
- (c) Evaluate three characteristics of a valid security agreement. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Argue five benefits of proper loan documentation. (10 marks)
- (b) State four features of a bank guarantee. (4 marks)
- (c) Examine three advantages of life insurance policy as a loan security. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Explain three differences between hire purchase and instalment payment. (6 marks)
- (b) Outline five objectives of co-operative education. (5 marks)
- (c) Enumerate five characteristics of individual lending model in micro finance institutions (MFIs). (5 marks)
- (d) State four effects of non-performing assets on an organisation. (4 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Enumerate six principles of group lending. (6 marks)
- (b) Explain the acronym "CAMELS" as used in credit rating. (10 marks)
- (c) Explain two advantages of equitable mortgage over legal mortgage. (4 marks)
- (Total: 20 marks)**
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