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CCP PART III SECTION 6

CORPORATE LENDING

FRIDAY: 21 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) Discuss three principles of corporate lending. (6 marks)
- (b) Highlight six characteristics of an operating lease. (6 marks)
- (c) Suggest four objectives of a business strategy. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Identify seven contents of a good credit policy. (7 marks)
- (b) Explain five functions of credit administration. (5 marks)
- (c) Describe four features of a real estate loan facility available to bank customers. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Propose six uses of working capital loans. (6 marks)
- (b) Explain four reasons why there is need to maintain legal documentation in the credit process. (4 marks)
- (c) Summarise four advantages of a sole proprietor that are likely to influence the decision to lend. (4 marks)
- (d) Analyse six likely causes of non-performing loans (NPLs) in your country. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Examine four factors to consider in determining the extent of credit analysis to be undertaken on a corporate borrower. (4 marks)
- (b) List six factors that could give rise to country risk. (6 marks)
- (c) Discuss five methods that an agricultural loan borrower could adopt to mitigate risk of losses from changes in the climatic conditions. (10 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Discuss three functions of the Association of Credit Providers in your country. (6 marks)
- (b) Explain the meaning of the following terms as used in credit risk management:
- (i) Risk appetite. (2 marks)
 - (ii) Risk management. (2 marks)
 - (iii) Risk transfer. (2 marks)
- (c) Consumer complaints regarding the accuracy and use of credit data by financial service institutions are on the rise.

Required:

Assess four factors that could have contributed to the surge in consumer complaints in the recent past. (8 marks)

(Total: 20 marks)