KASNEB

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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