KASNEB

CCP PART I SECTION 1

CREDIT MANAGEMENT

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) (i) Argue cases for third party collection agencies over litigation of debts in debt collection.   (6 marks)

(ii) Summarise three factors considered when evaluating the performance of a debt collection agency.   (6 marks)

(b) Highlight four reports utilised by the credit department in evaluating its performance.   (4 marks)

(c) Differentiate between "consumer credit" and "trade credit".   (4 marks)
          (Total: 20 marks)

QUESTION TWO

(a) (i) Outline two main purpose of a credit policy in an organisation.   (2 marks)

(ii) Distinguish between the terms "conservative credit policy" and "liberal credit policy".   (4 marks)

(b) Suggest five justifications for a robust information management system in the credit department.   (5 marks)

(c) (i) List any five sources of information for the assessment of credit risks.   (5 marks)

(ii) Explain four ways in which an organisation could use discounts in managing collections for imported cash flow.   (4 marks)
          (Total: 20 marks)

QUESTION THREE

(a) Your country has recently rolled out a credit information sharing initiative (KCISI) encouraging providers of credit to share their customers' information with a view of minimising information asymmetry in lending.

With reference to the above statement:

(i) Explain the meaning of "credit information sharing".   (3 marks)

(ii) Discuss the necessity of credit information sharing.   (4 marks)

(iii) Highlight the contents of a credit report.   (5 marks)

(b) (i) Analyse three measures that a credit manager could take to ensure customers' compliance with terms of trade in trade credit.   (3 marks)

(ii) State five factors to consider when setting terms of trade.   (5 marks)
          (Total: 20 marks)

QUESTION FOUR

(a) Discuss "CAMPARI" as used in credit analysis.   (14 marks)

(b) (i) Identify any three consumer loan products.   (3 marks)

(ii) In relation to consumer credit and customer referencing, outline three types of reports that could be obtained from a credit reference bureau.   (3 marks)
          (Total: 20 marks)

QUESTION FIVE

(a)   Collateral is the lenders' fallback position upon a borrower's default.

In relation to the above statement, discuss the common types of collateral for loans.   (10 marks)

(b)   The sales ledger, an important record in the management of credits, displays the transactions made in a customer's account.

Required:
Summarise ten uses of the sales ledger in an organisation.   (10 marks)

    (Total: 20 marks)

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