DCM LEVEL I

FUNDAMENTALS OF CREDIT MANAGEMENT

MONDAY: 23 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)   Identify six duties of an effective credit department.   (6 marks)

(b)   Outline three main differences between "Electronic Funds Transfer" and "Real Time Gross Settlement" methods of payment.   (6 marks)

(c)   Enumerate four benefits of having an effective collection policy to an organisation.   (8 marks)
(Total: 20 marks)

QUESTION TWO
(a)   Identify three types of credit customers a credit officer is likely to serve in the course of lending.   (6 marks)

(b)   Explain the following credit products:

(i)   Mortgage.   (2 marks)

(ii)   LPO financing.   (2 marks)

(iii)   Conditional sale.   (2 marks)

(iv)   Credit sale.   (2 marks)

(c)   Describe three documents used in trade credit.   (6 marks)
(Total: 20 marks)

QUESTION THREE
(a)   Discuss five factors a credit manager should consider before offering settlement discounts to customers.   (10 marks)

(b)   Highlight six factors to consider when selecting a payment method.   (6 marks)

(c)   State four areas of the economy that are likely to experience increased default in payment as a result of the corona virus pandemic (COVID 19).   (4 marks)
(Total: 20 marks)

QUESTION FOUR
(a)   Distinguish between the following terms:

(i)   "Recourse factoring" and "non-recourse factoring".   (4 marks)

(ii)   "Disclosed non-recourse factoring and "non-disclosed non-recourse factoring".   (4 marks)

(iii)   "Invoice discounting" and "agency factoring".   (4 marks)

(b)   Enumerate eight factors a loan applicant should consider before signing a loan agreement.   (8 marks)
(Total: 20 marks)

QUESTION FIVE

(a)   Enumerate five tips that a borrower could use to keep the borrowing costs low.   (5 marks)

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

     (i)   Borrower.   (2 marks)

     (ii)   Principal.   (2 marks)

     (iii)   Credit History.   (2 marks)

     (iv)   Collateral.   (2 marks)

(c)   State seven advantages of billing automation tools.   (7 marks)
(Total: 20 marks)

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