

# 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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