

CO-OPERATIVE UNIVERSITY OF KENYA

**DIPLOMA IN CREDIT MANAGEMENT, YEAR 1 SEMESTER 2
DMCM 1105: FINANCIAL SECTOR CREDIT MANAGEMENT**

UNIT 1 CREDIT CARD RISK AMANGEMENT	<ol style="list-style-type: none">1. Parties To Credit Card Transactions2. Types Of Credit Cards3. Appraisal Of Credit Cards And Appliccations4. Managing Credit Card Fraud And Risk Management5. Delinquency Management
UNIT 2 SECURIES	<ol style="list-style-type: none">1. Types<ul style="list-style-type: none">• Secured Debt• Unsecured Debt2. Principles Of Good Lending3. Features Of Documentation Lodging, Discharging/Releasing of Sexcurities
UNIT 3 ASSET FINANCE	<ol style="list-style-type: none">1. Types Of Asset Finance2. Choosing The Right Type
UNIT 4 LEASING	<ol style="list-style-type: none">1. Definition Of Leasing2. Types Of Leasing3. Process Of Leasing4. Advantages And Disadvantages Of Leasing
UNIT 5 HIGHER PURCHASE	<ol style="list-style-type: none">1. Definition2. Nature Of Higher Purchase3. Formation Of The Higher Purchase Contract4. Duties Of The Parties5. Termination Of The Contact6. Risk Management
UNIT 6 MICROFINANCE	<ol style="list-style-type: none">1. Definition2. Deposit Taking MFI3. MFI Scenario4. Formulation Of Policies And Procedures5. Recruitment And Retention Of Clients6. Savings And Lending Processes7. Portfolio Management8. Risk Management And Recovery9. Delinquency Management
UNIT 7 MORTGAGE	<ol style="list-style-type: none">1. Types And Products Offered In Mortgage2. Parties Involved In Mortgage3. Credit Appraisal4. Risk Management And Recovery

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MAIN EXAM: DEC 2019

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Instructions

- **Answer Question ONE and any other two: time 2 hours: total max 70**

QUESTION ONE

- (a) Define the following terms as applied in credit management
- Delinquency accounts (2 Marks)
 - Credit Management (2 Marks)
 - Financial institution (2 Marks)
- (b) State **four** main parties to a credit card transaction (4 Marks)
- (c) State any **four** types and products offered in mortgage (4 Marks)
- (d) Explain **three** important Risk Management issues a Micro-finance Institution should consider while lending to upcoming entrepreneurs. (6 Marks)
- (e) Explain any **five** ways of preventing credit card fraud (10 Marks)

QUESTION TWO

- (a) Use a suitable example to distinguish between financial lease and operating lease (2 Marks)
- (b) Explain any **two** advantages and **two** disadvantages of lease financing from lessee's point of view (8 Marks)
- (c) Explain **three** effective techniques of Recruiting clients and **two** ways of retaining clients in a financial institution. (10 Marks)

QUESTION THREE

- (a) Explain **three** important duties of a hire purchase consumer (6 Marks)
- (b) Use suitable examples to explain any **three** conditions under which a hire purchase contract can be terminated. (6 Marks)
- (c) Explain **Five** reasons why the uptake of microcredit is low in Kenya (8 Marks)

QUESTION FOUR

- (a) From the investor's point of view, Use suitable examples to explain **three** advantages and **two** disadvantages of investing in bonds/debentures as a security. (10 Marks)
- (b) Explain any five Principles Of Good Lending (10 Marks)

QUESTION FIVE

- (a) Describe any **three** Advantages of using a credit card (6 Marks)
- (b) Discuss any **two** Challenges to effective Credit Risk Management (4 Marks)
- (c) From the organization's point of view, explain **three** advantages and **two** disadvantages of equity shares. (10 Marks)