

The Co-operative University of Kenya
END OF SEMESTER EXAMINATION AUGUST-2018
EXAMINATION FOR THE DIPLOMA IN CREDIT MANAGEMENT
(YR I SEM I)
UNIT CODE: DMCM 1101

UNIT TITLE: PRINCIPLES OF CREDIT MANAGEMENT

DATE: 27TH AUGUST, 2018

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Explain FOUR qualities of a good credit manager in a company (4 mark)
- (b) Explain FOUR methods/terms of payments used in business (4 marks)
- (c) Describe THREE inputs to the sales ledger (3 marks)
- (d) Outline the basic questions to ask in credit decision (3 marks)
- (e) Outline THREE factors to consider in setting interest rates on overdue accounts (3 marks)
- (f) Differentiate “Net monthly” and “ Net 30” days as credit terms (2 marks)
- (g) Outline FOUR external sources of information for credit assessment (4 marks)
- (h) In assessment of credit risk in companies, describe FOUR ratios you can calculate from the income statement (4 marks)

QUESTION TWO

- (a) Explain the factors you must consider in deciding on the payment/settlement terms for your customer (10 marks)
- (b) Explain the role of the credit department/credit manager in a company (10 marks)

QUESTION THREE

- (a) Explain CAMPARI as risk assessment tool (14 marks)
- (b) Describe the role of the credit department/credit manger in a company (10 marks)

QUESTION FOUR

- (a) In assessing your customer’s request for credit, explain the details you must acquire relating to KYC (10 marks)
- (b) Describe the procedure you could follow when you receive a new order from a new customer who request for credit (10 marks)

QUESTION FIVE

- (a) Explain what is factoring and the considerations you must take before engaging a factors (12 marks)
- (b) Explain the danger signs of a customer in payment distress (8 marks)