



**CCP PART III SECTION 5**

**CREDIT MANAGEMENT IN THE FINANCIAL SECTOR**

**THURSDAY: 29 November 2018.**

**Time Allowed: 3 hours.**

**Answer ALL questions. Marks allocated to each question are shown at the end of the question.**

**QUESTION ONE**

- (a) With reference to International Financial Reporting Standard (IFRS) 9 “Financial instruments”:
- (i) Explain the three stages of impairment of financial assets. (6 marks)
  - (ii) Analyse three considerations to be taken into account when measuring impairment loss in stage 1 of impairment of financial assets. (3 marks)
- (b) Summarise five aspects in which securities interests should be perfected. (5 marks)
- (c) Describe five types of concessions that a lender could avail to a troubled borrower. (6 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Describe four principal duties of the know your customer (KYC) unit in a financial institution. (4 marks)
- (b) Discuss the acronym “PAPERS” as used in expert’s credit evaluation system. (8 marks)
- (c) Suggest four limitations of using inventories as “security” against a loan. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Describe six disadvantages of mortgaging as a source of finance. (6 marks)
- (b) Assess four factors to be considered before signing a lease agreement. (8 marks)
- (c) With reference to advertising for Hire Purchase, explain three types of advertisements allowed by law in your country. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Evaluate six circumstances under which a cooperative society might be dissolved other than through Annual General Meeting (AGM). (6 marks)
- (b) Examine four factors that credit card issuers should consider while deciding whether to approve an application for a new credit card. (8 marks)
- (c) Discuss three measures that could be used by microfinance organisation to enforce credit contracts. (6 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Explain the following terms as used in credit management:
- (i) Seasonal working capital loans. (2 marks)
  - (ii) Open credit lines. (2 marks)
  - (iii) Asset-based loans. (2 marks)
- (b) Discuss the 5Cs referred to as bad Cs in credit management. (10 marks)
- (c) Analyse four major risks associated with mortgage banking. (4 marks)
- (Total: 20 marks)**