



kasneb

CCP PART III SECTION 5

CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

THURSDAY: 23 May 2019.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Analyse any three stages in a loan origination process. (6 marks)
- (b) (i) Explain the term “credit enhancement”. (2 marks)
- (ii) Describe four types of credit enhancement methods. (8 marks)
- (c) Examine four purpose of “Truth in Lending Disclosure”. (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Discuss three applications of credit portfolio models by financial institutions. (6 marks)
- (b) Enumerate five types of information that should be included in the savings and credit cooperative (SACCO) credit policy. (5 marks)
- (c) Outline five benefits associated with secured credit card programs. (5 marks)
- (d) Discuss four factors a credit analyst should consider when evaluating a sovereign credit application. (4 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Examine six mortgage market constraints impeding the growth of mortgage financing in your country. (6 marks)
- (b) Discuss four factors that a credit analyst should consider when appraising a manufacturing entity for a commercial loan. (8 marks)
- (c) Explain three modes of creating a charge over a security by banks when advancing loan facilities. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) In relation to risk classification of assets and provisioning of facilities and assets:
- (i) Compare “Expected Credit Loss (ECL) model” and “Incurred Credit Loss (ICL) model”. (6 marks)
- (ii) Assess three major weaknesses of impairment model incurred loss that have led to Expected Credit Loss model. (3 marks)
- (b) Instalment method of ageing of loans portfolio should not be used by the micro-finance sector.

With reference to the above statement:

- (i) Assess six impact of instalment ageing method when all loans are past the loan term. (6 marks)
- (ii) Explain five impact of instalment ageing method when all loans are within the loan term. (5 marks)
- (Total: 20 mark)**

QUESTION FIVE

- (a) (i) Explain the term “chargeback” as used in credit card management. (2 marks)
- (ii) Discuss three reasons for chargeback in credit card management. (6 marks)
- (b) An annual general meeting of a co-operative society shall be convened by giving at least fifteen day written notice to the members.
- With reference to the above statement, highlight six types of businesses that are transacted during an annual general meeting (AGM). (6 marks)
- (c) Examine three factors that should be considered when evaluating liquidity in asset based lending. (6 marks)
- (Total: 20 marks)**
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