



**kasneb**

**DCM LEVEL I**

**FUNDAMENTALS OF CREDIT MANAGEMENT**

**MONDAY: 20 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) (i) Explain the term “electronic invoicing”. (2 marks)
  - (ii) Describe four benefits associated with electronic invoicing. (4 marks)
  - (b) Identify four limitations of using cheques as a form of payment. (4 marks)
  - (c) Assess five principal reasons why modern day companies use factor services. (10 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Highlight six characteristics of an effective collection letter. (6 marks)
  - (b) Examine four characteristics of a personal loan. (8 marks)
  - (c) Explain three benefits of credit information sharing (CIS) in your country. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) In the context of consumer credit classification, distinguish between “open end credit” and “incidental credit”. (4 marks)
  - (b) Outline six indicators of a debtor who is likely to default in payment. (6 marks)
  - (c) Highlight four limitations of bills of exchange. (4 marks)
  - (d) Enumerate six contents of a letter of credit. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Describe five costs incurred when granting credit. (10 marks)
  - (b) Outline five factors that a credit manager should consider before extending credit to customers. (5 marks)
  - (c) Propose five ways of minimising conflicts between sales department and credit department. (5 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) With reference to export credit, explain the following types of invoices:
    - (i) Pro forma invoice. (2 marks)
    - (ii) Legalised invoice. (2 marks)
    - (iii) Certified invoice. (2 marks)
    - (iv) Consular invoice. (2 marks)
  - (b) Enumerate three features of sole proprietorship form of business in relation to credit management. (6 marks)
  - (c) Describe how a good computer system might enhance the process of using reminder letters. (6 marks)
- (Total: 20 marks)**

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