



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY - APRIL 2017 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCCR 300

COURSE TITLE: CREDIT MANAGEMENT AND THEORY PRACTICE

DATE: 3 APRIL 2017

TIME: 11.30 AM – 2.30 PM

INSTRUCTIONS TO CANDIDATES

1. QUESTION ONE IS **COMPULSORY**.
2. ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: All exam rooms are under CCTV surveillance during the examination period.

QUESTION ONE (40 marks)

A conference is being held in Kenya on Credit Management practices in Africa. Credit Market plays major roles in the development of the Kenyan economy. Therefore the organization has a well-structured credit management department.

- a. Discuss the role of the credit management department (10 marks)
- b. Explain the role IT in aiding collections (10 marks)
- c. Discuss five types of credit agreements. (10 marks)
- d. Centralization is the process by which the activities of an organization, particularly those regarding planning and decision-making, become concentrated within a particular location. Explain 5 advantages and 5 disadvantages of centralization. (10 marks)

QUESTION TWO (20 MARKS)

- a) You are the Credit Manager of a local Microfinance institution. Discuss the role of the credit manager. (10 marks)
- b) Highlight the characteristics/ attributes / qualities of a good credit manager (10 marks)

QUESTION THREE (20 MARKS)

- a) Explain the different ways of financing credit. (10 Marks)
- b) Explain the following types of credit agreements in retail credit;
 - i. Conditional sale (2 marks)
 - ii. Credit sale (2 marks)
 - iii. Option account (2 marks)
 - iv. Hire purchase (2 marks)
 - v. Budget account (2 marks)

QUESTION FOUR (20 MARKS)

- a) In an organization the credit department works closely with various departments. Discuss what the credit department will require from the sales department (10 marks)

- b) Explain the following types of credit agreements in retail credit; (10 marks)
- Age analysis report (2 marks)
 - Invoice (2 marks)
 - Credit scoring (2 marks)
 - Hire purchase (2 marks)
 - Opportunity cost (2 marks)

QUESTION FIVE (20 MARKS)

- a) Discuss the areas that an online credit management system should address to ensure effectiveness. (10 Marks)
- b) Leasing is the process of lending a capital item. Discuss the advantages and disadvantages of leasing. (10 Marks)