



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY – APRIL 2017 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCCR 302

COURSE TITLE: CREDIT POLICIES AND CONTROL INSTRUMENTS

DATE: 6 APRIL 2017

TIME: 11.30 AM – 2.30 PM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: 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.

SECTION A

QUESTION ONE

Company ABC LTD operates in a very hostile environment where competition is very high and changes in consumer loyalty abnormally dynamic. In a bid to cement their current market share and most probably expand their customer base, the company has come up with a number of strategies that it hopes will make it more attractive before the eyes of its customers. One of the most crucial strategies is the initiation of credit facilities for which they have enlisted your help.

Management of ABC LTD requires you to use your knowledge in credit management to advice the company on the following issues:

- a. Contents of a credit policy **(14 MARKS)**
- b. Objectives of a credit policy **(10 MARKS)**
- c. Areas covered by a credit policy **(16 MARKS)**

SECTION B

QUESTION TWO

- a. In choosing a credit facility, a customer is guided by the 5ps. Discuss these 5ps **(10 MARKS)**
- b. The credit department is an important unit in an organization. Discuss the functions of a credit department **(10 MARKS)**

QUESTION THREE

- a. There are a number of different ways to finance the acquisition of individual assets each tailored to offer specific service within the basic lending format. Discuss the hire purchase financing **(14 MARKS)**
- b. Differentiate between finance lease and operating lease **(6 MARKS)**

QUESTION FOUR

- a. The operating principles and operating procedures form the backbone of good credit management. Discuss **(10 MARKS)**
- b. The sales department and the credit department are separate but interdependent units within an organization. As such each department has its own responsibilities in the process of completing a sale. Discuss the queries that should be handled by the sales department **(10 MARKS)**

QUESTION FIVE

- a. There are a number of different ways to finance the acquisition of individual assets each tailored to offer specific service within the basic lending format. Discuss these methods of asset financing **(14 MARKS)**
- b. Discuss the features of lease financing **(6 MARKS)**