



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY – APRIL 2017 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCCR 405

COURSE TITLE: COMMERCIAL AND CONSUMER CREDIT LAW

DATE: 5 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

Collection agencies are independent firms which make debt collection easy and economical for most firms. You and your colleagues have formed such a firm;

- (a) Explain the advantages of using collection agencies (12mks)
- (b) Describe the uses of aged receivables analysis (8mks)

A company should have good credit risk management system. As a credit manager;

- (c) Explain the need for risk assessment of clients (12mks)
- (d) Discuss what the company's credit policy entails (8mks)

SECTION B

QUESTION TWO

To enforce collection where there is default, the series of letters sent to overdue customers should begin early:

- (a) Discuss the information contained in a letter of claim (12mks)
- (b) Describe the qualities of a demand letter (8mks)

QUESTION THREE

The major purpose of every commercial business is to make profits and normally a trader makes more profit when the volume of sales is increased;

- (a) Explain the types of credit available to traders (15mks)
- (b) Highlight the use of credit as an aid to sales (5mks)

QUESTION FOUR

The statistical result of comparison of one final account figure with another is termed as ratio. The credit manager should be familiar with key ratios affecting his business;

- (a) Explain the key ratios in credit risk management (15mks)
- (b) Describe the sources of credit information (5mks)

QUESTION FIVE

The responsibility for new accounts, additions and amendments to existing accounts and deletions of customer details lies with the credit department;

- (a) Explain the various methods of payment (12mks)
- (b) What are the major objectives of credit department? (8mks)