



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY – APRIL 2017 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCCR 301

COURSE TITLE: CREDIT ASSESSMENT AND EVALUATIONS

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

Q1a. The business of advancing credit facility to customers is a risky game. It is important to have necessary information regarding the facility applicant especially if the applicant is new or potential customer. To achieve this goal, financial institutions often design application forms, visit potential customers etc. Required:

- i. List ten critical information sought in a credit application form **(10Marks)**
- ii. State five questions often asked by credit officers when they make a field visit to potential customer **(10Marks)**

Q1b. In the recent past Credit reference agencies have become quite popular. This has been occasioned by high rate of defaults resulting from people who get more than one loan facility and as a result they find it to be a big challenge to repay the facilities. State any five important information provided by credit reference agencies that help in the assessment of the credit worthiness of an applicant **(10Marks)**

Q1c. In many cases when assessing the credit worthiness of a credit facility applicant, financial institutions use the so called six Cs. Identify and explain any five of the six Cs **(10Marks)**

SECTION B

QUESTION TWO

Q2a. Export business is an expensive venture, very risky due to global competition and lack of sufficient information and cultural knowledge. In addition to above risks there are a number of other risks associated with export business. Identify and explain any five other risks associated with export business. **(10Marks)**

Q2b. Explain how introduction of carefully prepared and advertised credit facility by properly trained sales and credit staff can achieve increased profitability **(10Marks)**

QUESTION THREE

Q3a. When assessing potential credit beneficiary, creditors often use trade references through a reference letter. Explain five things sought for in trade references. **(10Marks)**

Q3b. Finance houses provide consumer finance through facilities such as hire purchase, credit sales, conditional sale, personal loan agreements and credit cards, these facilities have to undergo a basic. Notwithstanding the nature of the finance, describe the basic procedure that is followed

(10Marks)

QUESTION FOUR

Q4a. Plastic money is a term that is used predominantly in reference to the hard plastic cards we use everyday in place of actual bank notes. They can come in many different forms such as cash cards, credit cards, debit cards, pre-paid cash cards and store cards. The plastic money business involves a number of parties. Explain five parties involved in plastic money business **(10Marks)**

Q4b. Plastic cards, though good and facilitating trade by avoiding carrying of large sums of money and appears to be revolutionizing money market, they too have their shortcomings. Explain five problems of the plastic card market **(10Marks)**

QUESTION FIVE

When managing fraud in plastic card business, the key objective is to ensure that the benefit of any preventive measure justifies its costs, required:

Q5a. Describe any five main types of fraud found in plastic card business **(10Marks)**

Q5b. Explain how fraud in plastic money business is best prevented and contained **(10Marks)**