

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COOPERATIVE MANAGEMENT

BCOP 331: CREDIT MANAGEMENT

STREAMS: BCOP (Y3S1)

TIME: 2 HOURS

DAY/DATE: FRIDAY 07/12/2018

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO only
- Do not write on question paper

1. (a) Describe the duties of a credit manager of cooperative societies and other financial landing institutions [10

marks]

(b) Wakulima national producers cooperative societies is an organization registered as a cooperative society to help farmers in in growing, processing nd selling of their products in Meru region. The society gives an average credit period of 20 days to debtors to pay the credit advanced. The managers estimates that by extending that credit period to 40 days, the sales will increase by 30%. The following further information is provided.

Particulars

- (i) Current sales sh. 720,000
- (ii) Estimate sales that will avail at discount sh 300,000
- (iii) Production and selling cost non-sales increased 60%
- (iv) Opportunity cost (cost of increased investment in debtors) 12%

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- (v) Cash discount of sales that avail discount (will be given on payment up to 20 days 4%)
- (vi) Bad debts loss on increased sales 6%

Required:

Using cost-benefit analysis to evaluate and advice whether such credit policy decision for extension is viable for the cooperative society. [10 marks]

- (c) In relation to 5C^s concept, explain its elements and importance in credit management function. [10 marks]

2. (a) Explain the various sources of finance available as short-term funds for cooperative societies in Kenya. [8 marks]

- (b) As credit manager you may be forced to hold some cash within or on near money assets. Describe the circumstances that can lead to such decision. [6 marks]

- (c) Advancement of credits always increase the volume of risks relating to default and delays in payment. Explain the measures a credit officer may take in reducing credit risks [6 marks]

3. (a) With the help of a diagram explain how a credit manager can mingle with different credit constraints to achieve optimum credit policy of an organization

[12 marks]

- (b) Identify any two credit objective and develop a strategic credit management matrices showing the strategy, method, advantages and disadvantages of each [8 marks]

4. (a) Mr S. Motanya an employee of ministry of trade and industries has submitted a loan application form requesting sh 680,000 to be paid for 48 months at Mawingu cooperative society where he is a member and you are a credit officer.

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Explain matters you will take into considerations and investigate in evaluating his loan qualifications. Take into considerations guidelines and measures given in Sacco's regulations in Kenya.

[12 marks]

- (b) Before granting credit to a customer a credit management office must gather the necessary information relating such client so as to make the best decision.

Explain the various sources of information gathering in Kenya. [8 marks]
