



CCP FOUNDATION LEVEL
CREDIT MANAGEMENT

MONDAY: 2 December 2024. Morning Paper.

Time Allowed: 3 hours.

This paper has seven (7) questions. Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- (a) Distinguish between the following types of factoring services:
- (i) “Recourse” and “nonrecourse” factoring. (4 marks)
 - (ii) “Domestic” and “export” factoring. (4 marks)
- (b) Explain **THREE** types of credit. (6 marks)
- (c) Discuss **THREE** features of trade credit. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Outline **SIX** factors to consider in choosing a credit department structure. (6 marks)
- (b) Explain **SIX** debt collection techniques that can be used to maximise recovery rates. (6 marks)
- (c) Summarise **FOUR** benefits of credit rating. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Identify **FIVE** types of a borrower’s credit information that should be shared among credit providers. (5 marks)
- (b) State **SEVEN** elements of the acronym CAMPARI as used in credit evaluation. (7 marks)
- (c) Analyse **FOUR** limitations of International Communication Terms (INCOTERMS) as used in international trade. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Enumerate **SIX** causes of conflicts between the credit department and the sales department in an organisation. (6 marks)
- (b) Explain **THREE** features of a revolving credit facility. (6 marks)
- (c) Describe **FOUR** types of information contained in a sales ledger. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Outline **SIX** characteristics of credit. (6 marks)
- (b) Examine **THREE** ways in which credit insurance is used to improve a company’s cash flow. (6 marks)
- (c) Explain **FOUR** merits of instalment credit. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Highlight **FOUR** advantages of using online lending platforms to borrowers. (4 marks)
 - (b) Discuss **FOUR** limitations of statement of financial position analysis in credit appraisals. (8 marks)
 - (c) Summarise **FOUR** challenges of collecting export-related debt. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Enumerate **FOUR** elements of an effective invoice. (4 marks)
 - (b) Describe **FOUR** types of fees applicable in credit card transactions. (8 marks)
 - (c) Discuss **FOUR** factors that affect loan repayment. (8 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL

CREDIT MANAGEMENT

MONDAY: 19 August 2024. Morning Paper.

Time Allowed: 3 hours.

This paper has seven (7) questions. Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- (a) Describe the following methods of payments:
- (i) Bank standing order. (2 marks)
 - (ii) Direct debit. (2 marks)
- (b) Summarise **THREE** benefits of trade credit insurance. (6 marks)
- (c) Explain **5Ps** of evaluating credit applications. (10 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) State **SIX** contents of a consumer loan agreement. (6 marks)
- (b) Explain **THREE** types of risks in export trade financing. (6 marks)
- (c) Analyse **FOUR** essential qualities of a good billing system. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Highlight **FOUR** factors that are considered when writing off a debt. (4 marks)
- (b) Discuss **FOUR** principles of credit information sharing (CIS). (8 marks)
- (c) Examine **FOUR** skills that are required for an effective debt collection officer. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Enumerate **SIX** advantages of a sales ledger. (6 marks)
- (b) Describe **THREE** effects of offering credit to a company's liquidity. (6 marks)
- (c) Explain **FOUR** ways in which Artificial Intelligence (AI) is used as an aid in credit analysis. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Outline **FOUR** principal sources of consumer credit. (4 marks)
- (b) Explain **FOUR** limitations of credit rating. (8 marks)
- (c) Discuss **FOUR** types of collaterals that credit providers may require from borrowers. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Highlight **SIX** limitations of trade credit to suppliers. (6 marks)
 - (b) Examine **THREE** financial ratios used in statement of financial position analysis to assess credit risk. (6 marks)
 - (c) Explain **FOUR** differences between “invoice factoring” and “invoice discounting”. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Outline **SIX** types of credit department queries recorded in a query register. (6 marks)
 - (b) State **SIX** factors that influence payment terms in trade credit. (6 marks)
 - (c) Giving **FOUR** reasons, justify the use of e-mails in debt collection. (8 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL

CREDIT MANAGEMENT

MONDAY: 22 April 2024. Morning Paper.

Time Allowed: 3 hours.

This paper has seven (7) questions. Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- (a) Explain **THREE** factors that could help determine the eligibility of a borrower in credit appraisal. (6 marks)
 - (b) Summarise **THREE** roles of customer statements in credit control. (6 marks)
 - (c) Describe **FOUR** reasons why businesses extend credit facilities to their customers. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Distinguish between “lender credit” and “vendor credit”. (4 marks)
 - (b) Explain **FOUR** merits of using a risk category system in credit management. (8 marks)
 - (c) Lenders classify loans using various bases. Discuss **FOUR** of these classifications. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) State **FIVE** credit department’s tasks aided by information management systems. (5 marks)
 - (b) Outline **FIVE** tools used by skip tracers to locate run away debtors. (7 marks)
 - (c) Examine **FOUR** obligations of digital credit providers in credit information sharing. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Identify **FOUR** services offered by debt collection call centers. (4 marks)
 - (b) Outline **FIVE** approaches adopted by micro lenders to improve credit self-service platforms. (5 marks)
 - (c) List **FIVE** characteristics of export credit insurance. (5 marks)
 - (d) Identify **SIX** roles of a credit officer. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Suggest **SIX** performance metrics that could be used to measure performance in credit departments. (6 marks)
 - (b) Describe **THREE** types of debt collection tools. (6 marks)
 - (c) Explain **FOUR** types of data used in credit scoring. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Identify **FIVE** features of an effective collection letter. (5 marks)
- (b) Highlight **FIVE** characteristics of a bank overdraft. (5 marks)
- (c) Describe **FIVE** stages of a credit cycle. (5 marks)
- (d) State **FIVE** reasons why financial institutions extend credit. (5 marks)

(Total: 20 marks)

QUESTION SEVEN

- (a) Propose **SIX** applications of 80/20 rule in debt collection. (6 marks)
- (b) Examine **THREE** types of risks in credit function outsourcing. (6 marks)
- (c) With reference to export credit, discuss **FOUR** roles played by international communication terms (INCOTERMS) in export credit. (8 marks)

(Total: 20 marks)

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CCP FOUNDATION LEVEL

CREDIT MANAGEMENT

MONDAY: 4 December 2023. Morning Paper.

Time Allowed: 3 hours.

This paper has seven (7) questions. Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- (a) Explain the following types of non-amortising loans:
- (i) Interest only loan. (2 marks)
 - (ii) Deferred-interest loan. (2 marks)
 - (iii) Balloon-payment loan. (2 marks)
- (b) Explain **SIX** benefits of undertaking credit risk assessment to an organisation. (6 marks)
- (c) Describe **FOUR** roles of credit management in the economic development of a country. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Describe the following terms as used in consumer credit:
- (i) Closed-end credit. (2 marks)
 - (ii) Open-end credit. (2 marks)
- (b) Explain **FOUR** factors that a credit analyst should consider when calculating a customer's credit score. (8 marks)
- (c) Examine **FOUR** types of trade finance. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) State **FOUR** ways in which a sales ledger could aid in debt collection. (4 marks)
- (b) In relation to management of accounts receivable, examine **FOUR** services rendered by a factor. (8 marks)
- (c) Explain **FOUR** documents used in export trade. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Explain **TWO** costs of extending credit to customers. (4 marks)
- (b) Credit rating has been pivotal as an aid to credit risk assessment.
- With reference to the above statement, assess **FOUR** limitations of credit rating. (8 marks)
- (c) Propose **FOUR** ways of enhancing the relationship between credit department and sales department. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Enumerate **THREE** actions a lender may take against a customer who shows signs of default. (6 marks)
- (b) Credit assessment does not necessarily stop once a customer is granted credit by a lender/creditor but mid-way the credit tenure, a re-assessment may be necessary.

In reference to this statement, summarise **SIX** customer behaviors that may necessitate their credit re-assessment. (6 marks)

- (c) Examine **FOUR** functions of credit rating agencies. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) State **SIX** uses of bill of lading to the seller. (6 marks)
- (b) Outline **SIX** factors that a credit manager should consider when calculating premium for trade insurance cover. (6 marks)
- (c) Explain **FOUR** positive benefits of credit information sharing (CIS) to the economy. (8 marks)

(Total: 20 marks)

QUESTION SEVEN

- (a) Highlight **FOUR** factors a credit manager should consider when selecting a credit management system software. (4 marks)
- (b) Enumerate **EIGHT** objectives of a credit department. (8 marks)
- (c) Assess **FOUR** sections of a customer credit report. (8 marks)

(Total: 20 marks)

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CCP FOUNDATION LEVEL

CREDIT MANAGEMENT

MONDAY: 21 August 2023. Morning Paper.

Time Allowed: 3 hours.

Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- (a) Outline **FOUR** quantitative factors used in credit risk assessment. (4 marks)
 - (b) Explain **FOUR** services outsourced by a credit department. (8 marks)
 - (c) Describe **FOUR** benefits of an effective billing system. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Highlight **SIX** steps of credit card operating cycle. (6 marks)
 - (b) Discuss **THREE** disadvantages of Fintech lending. (6 marks)
 - (c) Explain the following international communication terms (incoterms):
 - (i) FOB (2 marks)
 - (ii) CIF (2 marks)
 - (iii) DPV (2 marks)
 - (iv) DDP (2 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain the meaning of the following terms:
 - (i) Solvency Risk. (2 marks)
 - (ii) Liquidity Risk. (2 marks)
 - (iii) Volume Risk. (2 marks)
 - (b) State **SIX** guidelines for preparing a collection letter. (6 marks)
 - (c) Discuss **FOUR** characteristics of an effective credit manager. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Describe **THREE** rights of a consumer under credit information sharing (CIS). (6 marks)
 - (b) Enumerate **SIX** discrepancies that could render a letter of credit (LC) as discrepant. (6 marks)
 - (c) Examine **FOUR** activities in credit management process. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) State **SIX** features of Microfinance Institutions (MFIs). (6 marks)
 - (b) Describe **THREE** ways of handling bad debts in an organisation. (6 marks)
 - (c) Examine **FOUR** differences between Fintech lending and traditional lending. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Enumerate **SIX** roles of a sales ledger manager that could affect credit management. (6 marks)
 - (b) Describe **THREE** characteristics of factoring. (6 marks)
 - (c) Explain **FOUR** benefits of hire purchase system. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Describe the following terms as used in credit insurance:
 - (i) Whole turnover cover. (2 marks)
 - (ii) Catastrophic cover. (2 marks)
 - (b) Discuss **FOUR** credit facilities available in business-to-business(B2B) lending. (8 marks)
 - (c) Explain **FOUR** limitations of credit scoring system. (8 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL

CREDIT MANAGEMENT

MONDAY: 24 April 2023. Morning Paper.

Time Allowed: 3 hours.

Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- (a) Describe the following financial technology (fintech) terms:
- (i) Digital banking. (2 marks)
 - (ii) Crowdfunding. (2 marks)
 - (iii) Fintech balance sheet lending. (2 marks)
- (b) Explain **THREE** benefits of undertaking credit risk rating. (6 marks)
- (c) Summarise **FOUR** factors a credit manager should consider when negotiating payment terms with customers. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) List **FOUR** reasons that might necessitate the issuance of a debit note by a seller. (4 marks)
- (b) Describe **FOUR** stakeholders of credit reference bureaus. (8 marks)
- (c) Identify **FOUR** methods adopted by digital lenders that could assist in improving the lending process. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Highlight **FOUR** factors that a credit manager should consider when designing payment terms for an importer. (4 marks)
- (b) Explain **FOUR** advantages of centralised lending. (8 marks)
- (c) Examine **FOUR** methods of debt collection. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Distinguish between “Financial guarantee” and “Performance guarantee”. (4 marks)
- (b) Describe **FOUR** methods for reviewing the quality of account receivables. (8 marks)
- (c) Explain **TWO** advantages of using a letter of credit (LC) to each of the following:
- (i) The buyer. (4 marks)
 - (ii) The seller. (4 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) State **THREE** conditions that should be met before credit is granted. (3 marks)
- (b) Outline **FIVE** features a credit manager should consider when selecting a credit information system. (5 marks)
- (c) Explain the elements of PARSER as a model of credit assessment. (12 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Enumerate **FOUR** disadvantages of setting credit limits. (4 marks)
 - (b) Explain **SIX** causes of loan arrears. (6 marks)
 - (c) Summarise **FIVE** reports used to measure performance of a credit department. (10 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Highlight **SIX** contents of a trade credit insurance contract. (6 marks)
 - (b) Differentiate the following types of credit terms:
 - (i) “Net 7” and “Net 7 prox”. (4 marks)
 - (ii) “Net monthly” and “stage payments”. (4 marks)
 - (c) Identify **SIX** benefits of using credit cards. (6 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL

CREDIT MANAGEMENT

MONDAY: 5 December 2022. Morning Paper.

Time Allowed: 3 hours.

Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- (a) (i) Describe the term “trade credit”. (2 marks)
- (ii) Outline **FOUR** features of trade credit. (4 marks)
- (b) (i) Explain the meaning of instalment loan. (2 marks)
- (ii) Summarise **THREE** benefits of instalment loans to a consumer. (6 marks)
- (c) Explain **THREE** types of factoring. (6 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Enumerate **SIX** tools used by skip tracers to locate runaway debtors. (6 marks)
- (b) List **SIX** roles of a credit manager in a company. (6 marks)
- (c) Explain **FOUR** factors that could influence the cost of borrowing. (8 marks)

(Total: 20 marks)

QUESTION THREE

- (a) State **FOUR** benefits of credit information sharing (CIS) to borrowers. (4 marks)
- (b) Assess **FOUR** sources of commercial risk information for businesses entering export markets. (8 marks)
- (c) Summarise **FOUR** types of information that should be incorporated in a collection letter. (8 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Outline **SIX** purposes of a credit application form. (6 marks)
- (b) State **SIX** ingredients of a computerised sales ledger system. (6 marks)
- (c) Explain **FOUR** roles of credit department in protecting investment in accounts receivable. (8 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) (i) Describe the term “digital lending”. (2 marks)
- (ii) With reference to the digital lending regulatory framework, identify **THREE** prohibited debt collection practices. (6 marks)
- (b) State **SIX** issues that should be discussed in a credit and sales teams’ review meeting. (6 marks)
- (c) Identify **THREE** ways management can use accounts receivable aging report. (6 marks)

(Total: 20 marks)

QUESTION SIX

- (a) Highlight **SIX** collection practices that organisations could adopt. (6 marks)
 - (b) List **SIX** benefits of trade credit insurance. (6 marks)
 - (c) Analyse **FOUR** types of information included in a debtor statement of account. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) State **FOUR** characteristics of an overdraft. (4 marks)
 - (b) Outline **SIX** types of non-financial information used in consumer credit assessment. (6 marks)
 - (c) Interpret the 5Cs of credit as used in risk assessment. (10 marks)
- (Total: 20 marks)**

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CCP FOUNDATION LEVEL

CREDIT MANAGEMENT

MONDAY: 1 August 2022. Morning paper.

Time Allowed: 3 hours.

Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- (a) Explain the term “credit score”. (2 marks)
- (b) List five factors that a credit manager should consider when calculating a credit score. (5 marks)
- (c) Summarise six roles played by credit departments in achieving corporate objectives. (6 marks)
- (d) (i) Distinguish between irrevocable letter of credit and revocable letter of credit. (4 marks)
- (ii) Enumerate three sources of cybercrime. (3 marks)

(Total: 20 marks)

QUESTION TWO

- (a) With reference to Credit Reference Bureau (CRB) Act, outline four activities carried out by (CRB). (4 marks)
- (b) Describe four factors that have led to low uptake of credit cards in your country. (8 marks)
- (c) Highlight four features of recourse factoring. (4 marks)
- (d) Summarise four types risks covered under credit insurance. (4 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Outline six poor debt collection practices in a firm. (6 marks)
- (b) State six causes of conflict between a credit and sales department in an organisation. (6 marks)
- (c) Explain four services provided by an information communication technology (ICT) department to a credit department. (8 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Summarise five reasons why a seller would issue a credit note. (5 marks)
- (b) Describe four contents of a credit policy manual. (8 marks)
- (c) Suggest three limitations of E-payment methods in trade credit. (3 marks)
- (d) Suggest four roles of a credit officer. (4 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Discuss three objectives of credit management in an organisation. (6 marks)
- (b) Explain the CCC PARTS model of credit risk assessment. (8 marks)
- (c) List six details contained in a borrower’s credit history. (6 marks)

(Total: 20 marks)

QUESTION SIX

- (a) Distinguish between the following terms:
- (i) “Savings and Credit Co-operative Societies (SACCOs)” and “commercial banks”. (4 marks)
 - (ii) “Open item statement” and “brought forward statement”. (4 marks)
- (b) Outline four benefits of measuring collection performance in a credit department. (4 marks)
- (c) Analyse the steps that a firm should follow in setting up effective credit limits. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Explaining the following types of guarantees:
- (i) Bid bond. (2 marks)
 - (ii) Performance bond. (2 marks)
 - (iii) Advance payment guarantee. (2 marks)
- (b) Discuss four sources of information for credit risk assessment. (8 marks)
- (c) Identify six shortcomings of making payment by cheque. (6 marks)
- (Total: 20 marks)**

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CCP FOUNDATION LEVEL

CREDIT MANAGEMENT

MONDAY: 4 April 2022. Morning paper.

Time Allowed: 3 hours.

Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- (a) Explain the following terms as used in credit management:
- (i) Export credit. (2 marks)
 - (ii) Trade credit. (2 marks)
- (b) Outline four reasons why the cash operating cycle varies from industry to industry. (4 marks)
- (c) Summarise six features of hire purchase credit agreement. (6 marks)
- (d) Discuss three characteristics of borrowers that might be considered when undertaking in credit risk assessment. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Explain five ways in which trade credit has contributed in the growth of small and medium sized enterprises (SMEs) in your country. (10 marks)
- (b) Differentiate between “amortised loan” and “non-amortised loan”. (4 marks)
- (c) Assess three advantages of using indirect credit information when appraising a customer’s suitability for a loan product. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Identify five parties who are allowed to access customer information from a Credit Reference Bureau (CRB). (5 marks)
- (b) List five advantages of decentralised credit departments. (5 marks)
- (c) Analyse five risks associated with lending to a sole proprietorship. (10 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Differentiate between the following payment methods as used in trade credit:
- (i) “Personal cheque” and “bankers cheque”. (4 marks)
 - (ii) “Direct debit” and “standing order”. (4 marks)
- (b) Discuss four types of certificates as used in export trade. (8 marks)
- (c) Outline four mistakes that could be made during debt collection. (4 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Enumerate four types of disputes that are recorded in a query register in a credit department. (4 marks)
- (b) Outline six reports that a good credit management integrated management system (IMS) should generate. (6 marks)
- (c) Discuss the model of credit risk assessment. (10 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Explain the following terms as used in insurance:
- (i) Principle of indemnity. (2 marks)
 - (ii) Trade credit insurance. (2 marks)
- (b) Analyse four advantages of the letters of credit to the buyer. (8 marks)
- (c) Describe four functional units of a credit department. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) (i) List four factors that affect accounts receivable. (4 marks)
- (ii) Explain three hidden costs in accounts receivables. (6 marks)
- (b) Outline six ways Pareto's 80/20 rule assists a credit department in collection. (6 marks)
- (c) Summarise four types of expenses included in the credit department budget. (4 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL

CREDIT MANAGEMENT

WEDNESDAY: 15 December 2021.

Time Allowed: 3 hours.

Answer any FIVE questions.

All questions carry equal marks.

QUESTION ONE

- (a) Explain three qualities of an effective debt collection officer. (6 marks)
 - (b) Enumerate four benefits of trade credit insurance to a seller. (8 marks)
 - (c) Analyse three factors that a credit manager should consider when selecting a credit management information system. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) State five benefits of accurate invoicing in credit management. (5 marks)
 - (b) Describe four reports used to measure the performance of a credit department. (8 marks)
 - (c) Enumerate seven ways of improving the relationship between the sales department and the credit department. (7 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Providing credit to customers can offer some major benefits to a business.
With reference to the above statement, analyse five advantages of offering credit to a seller. (10 marks)
 - (b) Discuss three challenges faced by the credit reference bureaus (CRBs) in your country. (6 marks)
 - (c) List four documents used in export credit. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Discuss five risks associated with export credit. (10 marks)
 - (b) Describe the following types of invoices as used in trade credit:
 - (i) Proforma invoice. (2 marks)
 - (ii) Interim invoice. (2 marks)
 - (iii) Collective invoice. (2 marks)
 - (c) Explain two advantages of open credit terms to a borrower. (4 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Discuss three benefits of financial technology (Fintech)-driven payments for global businesses. (6 marks)
 - (b)
 - (i) Explain the term “sales ledger”. (2 marks)
 - (ii) List four contents of a sales ledger. (4 marks)
 - (c) Analyse four advantages of factoring as a source of finance. (8 marks)
- (Total: 20 marks)**

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QUESTION SIX

- (a) List six warnings that could predict a bad debt. (6 marks)
- (b) Sales terms and conditions play an essential role in protecting a business and ensuring that both the business and customers are aware of each other's rights, roles and responsibilities.

With reference to the above statement, explain three classes that you should include in your terms and conditions. (6 marks)

- (c) Differentiate between "consumer credit" and "corporate credit". (4 marks)
 - (d) Describe four areas of responsibility that are covered by international communication terms (IncoTerms). (4 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Explain five factors that have hindered the growth of trade credit insurance in your country. (10 marks)
 - (b) Describe six characteristics of an effective savings and credit cooperative societies (SACCOS) member of the credit committee. (6 marks)
 - (c) Differentiate between "secured loan" and "unsecured loan". (4 marks)
- (Total: 20 marks)**

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CCP PART I SECTION 1

CREDIT MANAGEMENT

MONDAY: 20 May 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) Explain four advantages of direct debit as a method of payment. (4 marks)
- (b) Discuss three advantages of customer risk categorisation. (6 marks)
- (c) In reference to 80/20 rule, analyse the procedure of selecting key accounts from a mass of ordinary accounts. (4 marks)
- (d) Describe two measures that a credit manager could put in place in order to improve the relationship between the organisation and the key account customers. (6 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Explain the following types of payment terms:
 - (i) Contra terms. (2 marks)
 - (ii) Middle of month terms. (2 marks)
 - (iii) Cash before delivery terms. (2 marks)
- (b) Outline eight types of information that are provided by lenders to credit reference agencies. (8 marks)
- (c) Describe three types of business risks that are covered under commercial insurance. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Explain four types of consumer credit products in your country. (8 marks)
- (b) Highlight four characteristics of an effective payment method. (4 marks)
- (c) Explain four reasons why courts are referred to as "last resort" in debt recovery. (8 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Explain eight objectives that a credit policy should satisfy in an organisation. (8 marks)
- (b) Propose six ways in which the use of credit information systems could help improve a customer's credit risk assessment. (6 marks)
- (c) Analyse six factors a credit manager should consider when formulating a conservative credit policy for an organisation. (6 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Describe five steps that should be followed when opening a new customer account. (5 marks)
- (b) Explain seven factors which influence the level of investment in account receivables. (7 marks)
- (c) Analyse four advantages of using internal sources of finance to finance credit. (8 marks)

(Total: 20 marks)



CCP PART I SECTION I
CREDIT MANAGEMENT

MONDAY: 26 November 2018.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) (i) Explain the term "borrowing base". (2 marks)
- (ii) Describe three ways in which a credit manager could use the borrowing base. (3 marks)
- (b) In order to offer payment services, mobile payment service providers are required to enter into customer service agreement with the customers.

Required:

Examine nine issues that should be included in the customer service agreement. (9 marks)

- (c) A credit manager should occasionally sample loans granted to determine the effectiveness of the organisation's credit risk management framework.

With reference to the above statement, highlight six factors to consider when selecting the sample of loans to be reviewed. (6 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Explain six risks covered under the comprehensive short term guarantee. (6 marks)
- (b) Describe eight mechanisms that could be adopted by a credit controller to ensure prompt payment of export credit. (8 marks)
- (c) Examine three measures that a credit manager should incorporate when developing procedures for administering a sales ledger. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Analyse three types of training programmes available for credit department staff. (6 marks)
- (b) Distinguish between "balance transfer credit cards" and "secured credit cards". (4 marks)
- (c) Collection and debt repayment agencies must create and maintain records of all their activities relating to collection or debt repayment.

With reference to the above statement, list six kinds of records that should be maintained by collection agents. (6 marks)

- (d) Highlight four disadvantages of trade credit. (4 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Highlight four factors that should be taken into account in making financial decisions. (4 marks)
- (b) Explain four problems associated with lack of information technology (IT) systems in credit control process. (4 marks)

(c) Describe four problems associated with manual "cash matching". (8 marks)

(d) The following information was extracted from the books of Sukuma Mbele Ltd.:

1. Sales for the year ended 31 December 2017 amounted to Sh.180,000.
2. Debtors as at 31 December 2017 amounted to Sh.30,000.

Required:

(i) Calculate the average number of day's sales still owing at the end of the period. (2 marks)

(ii) Calculate the average number of sales still owing in terms of months. (2 marks)

(Total: 20 marks)

QUESTION FIVE

(a) List seven performance measures used in a credit department. (7 marks)

(b) Enumerate six guidelines that should be included in a credit policy. (6 marks)

(c) Highlight seven credit control measures that a firm should adopt. (7 marks)

(Total: 20 marks)

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**CCP PART I SECTION 1
CREDIT MANAGEMENT**

MONDAY: 21 May 2018.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) Describe three techniques that could be used to offset currency risk. (6 marks)
- (b) (i) Explain the term credit information sharing (CIS). (2 marks)
- (ii) Analyse four benefits of credit information sharing to the customer. (8 marks)
- (c) Assess four kinds of information required by the insurer about the supplier's business before insuring his accounts receivables. (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Examine three challenges that could have hindered the growth of e-commerce in your country. (6 marks)
- (b) Explain how extending credit to customers could impact on your business based on:
- (i) Costs. (3 marks)
- (ii) Profits. (2 marks)
- (iii) Liquidity. (2 marks)
- (c) Outline seven actions that should be undertaken by a debt collector before and during debt collection visit. (7 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) With reference to debt collection through legal process, highlight five options available to a defendant upon being served with the claim. (5 marks)
- (b) Distinguish between "loan rewrite" and "loan postponement" as used in credit management. (4 marks)
- (c) Discuss three demerits of a back-office model of a credit department. (6 marks)
- (d) Describe five types of Days Sales Outstanding (DSO) used in measuring the quality of debtors in a credit department. (5 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) (i) Describe the term "digital lending". (2 marks)
- (ii) Highlight four advantages of digital lending. (4 marks)
- (b) Analyse five characteristics of a revolving credit. (10 marks)
- (c) Explain four roles of sales representative reports in credit risk assessment. (4 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) (i) Explain the term "conservative credit policy". (2 marks)
- (ii) Highlight five characteristics of companies that adopt conservative credit policy. (5 marks)
- (b) Discuss four benefits of a sales ledger. (8 marks)
- (c) Analyse five non-financial factors that a credit controller should consider in consumer credit. (5 marks)

(Total: 20 marks)

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**CCP PART I SECTION 1
CREDIT MANAGEMENT**

MONDAY: 27 November 2017.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) With reference to debt collection, summarise six contents of a legal demand notice issued by a lawyer. (6 marks)
- (b) Describe three checks that should be performed before credit disbursement. (6 marks)
- (c) Outline eight approaches to a successful credit function in an organisation. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Discuss the importance of the following as a measure of credit department efficiency:
- (i) Days sales outstanding. (3 marks)
- (ii) Debtors in dispute. (3 marks)
- (b) Enumerate four attributes of a good credit proposal. (4 marks)
- (c) Outline four disadvantages of granting credit. (4 marks)
- (d) Explain the following types of payment terms:
- (i) Net 7. (2 marks)
- (ii) Journey terms. (2 marks)
- (iii) Stage payments. (2 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Discuss five factors affecting payment terms in the international market. (10 marks)
- (b) (i) With reference to the credit approval process, distinguish between “substantive errors” and “procedural errors”. (4 marks)
- (ii) Outline six measures that could be used to mitigate the errors in (b) (i) above. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) (i) Distinguish between a “brought-forward statement” and “open-item statement”. (4 marks)
- (ii) Outline six contents of a sales ledger. (6 marks)
- (b) Describe five factors affecting credit risk in personal lending. (5 marks)
- (c) Highlight five characteristics of an effective accounts receivable system. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Explain six types of provision for bad and doubtful debts policies. (6 marks)
- (b) Discuss three key steps in telephone collection. (6 marks)
- (c) Analyse four situations in which it is favourable to use documentary method of collection in export trade. (8 marks)
- (Total: 20 marks)**

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CCP PART I SECTION 1

CREDIT MANAGEMENT

FRIDAY: 20 November 2015.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) (i) Explain the term "debt compromise". (2 marks)
- (ii) Describe three situations when a debt could be compromised. (6 marks)
- (b) Analyse four attributes of a good online payment system. (8 marks)
- (c) Propose four ways of improving individual creditworthiness through the social media. (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Explain the following types of credit inquiries:
- (i) Hard inquiries. (2 marks)
- (ii) Account review inquiries. (2 marks)
- (iii) Promotional inquiries. (2 marks)
- (b) Summarise six functions of a credit application form. (6 marks)
- (c) Outline eight collection tools that could be used by credit department staff to enhance their collection effort. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Describe the four steps of risk assessment in a credit department. (8 marks)
- (b) Explain the following modes of payment as used in export trade:
- (i) Sight draft. (2 marks)
- (ii) Open account trading. (2 marks)
- (iii) On consignment. (2 marks)
- (c) Discuss three types of credit insurance guarantee. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Outline four benefits of debt consolidation to the borrower. (4 marks)
- (b) Highlight the content of a letter of instructions to sue. (5 marks)
- (c) Explain three advantages of financial statement analysis to a lender. (6 marks)
- (d) Describe five causes of credit default. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Enumerate four ways a credit manager could utilise to encourage timely payment of debt. (4 marks)
- (b) Explain three sources of public information used in customer credit assessment. (6 marks)
- (c) Discuss three types of evidence that could be produced by the parties in a contested case in debt recovery. (6 marks)
- (d) Describe four factors that could affect the credit decision making process. (4 marks)

(Total: 20 marks)

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KASNEB

CCP PART I SECTION I

CREDIT MANAGEMENT

MONDAY: 23 May 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) Summarise four mitigation strategies that could be adopted by a lender to reduce the risk of bank transfer fraud. (4 marks)
- (b) Describe four types of alternative dispute resolutions (ADR) in a contested civil case in debt collection. (8 marks)
- (c) Discuss four conditions of sale contained in an export contract. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Define the following terms as used in non-performing debt recovery:
- (i) Sub-standard assets. (2 marks)
- (ii) Doubtful assets. (2 marks)
- (iii) Loss assets. (2 marks)
- (b) Explain four benefits of Credit Reference Bureau (CRB) to your country. (8 marks)
- (c) Describe three attributes of a good credit policy. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Highlight five factors to consider when engaging a debt collector. (5 marks)
- (b) Explain the following terms as used in credit management:
- (i) Bid bond. (2 marks)
- (ii) Performance bond. (2 marks)
- (iii) Counter trade. (2 marks)
- (c) Identify five benefits of trade credit insurance. (5 marks)
- (d) Outline four applications of days sales outstanding ratio in an organisation. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Discuss five sources of credit information. (10 marks)
- (b) Highlight five disadvantages of using a guarantee as a source of credit security. (5 marks)
- (c) Outline five types of risk incurred in credit sales. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

(a) Explain the following methods of payment:

- (i) Bank drafts. (2 marks)
- (ii) Standing orders. (2 marks)
- (iii) Direct debits. (2 marks)

(b) Enumerate four costs of credit. (4 marks)

(c) Describe three methods of measuring and reviewing the size and quality of accounts receivable. (6 marks)

(d) The following is the extract of cash credit account of Victor Traders in the books of Jubilee Bank Ltd:

Date	Balance Sh.
01/07/2015	200,000
25/07/2015	220,000
01/08/2015	240,000
25/08/2015	260,000
01/09/2015	280,000
10/09/2015	300,000
25/09/2015	248,000

Additional information:

1. Cash credit limit is Sh.300,000.
2. Rate of interest is 12% per annum.
3. Assume that the number of days in a year are 360 days.

Required:

Calculate the amount of interest charged by Jubilee Bank Ltd. on the cash credit account of the company for the quarter ended 30 September 2015. (4 marks)

(Total: 20 marks)

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CCP PART I SECTION I

CREDIT MANAGEMENT

MONDAY: 21 November 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) Summarise five functions of a credit department in an organisation. (5 marks)
- (b) Analyse five reasons for the inclusion of credit terms and payment methods in the credit policy. (5 marks)
- (c) Evaluate five types of letters of credit used in export trade. (10 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) (i) Explain the term "crowdfunding". (2 marks)
- (ii) Analyse two types of crowdfunding. (4 marks)
- (b) Highlight four benefits of submitting invoices through third party network. (4 marks)
- (c) (i) Distinguish between "deferment" and "forbearance" as used in credit management. (4 marks)
- (ii) Examine three circumstances when forbearance might be available to a customer. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain what each of the following ratios would indicate about an organisation:
- (i) Current ratio. (2 marks)
- (ii) Net profit ratio. (2 marks)
- (iii) Net profit to net assets ratio. (2 marks)
- (iv) Sales to fixed assets ratio. (2 marks)
- (b) Enumerate four mistakes that a debt collector might make during collection of debts. (4 marks)
- (c) Explain the term "days sales outstanding (DSO)". (2 marks)
- (d) The information provided below relates to Uwezo Ltd.:

Date	Accounts receivable	Month	Credit sales
	Sh."000"		Sh."000"
31 October 2016	6,000	October 2016	10,000
30 September 2016	6,000	September 2016	12,000
31 August 2016	<u>4,000</u>	August 2016	<u>10,000</u>
	<u>16,000</u>		<u>32,000</u>

Required:

- (i) Standard days sales outstanding. (3 marks)
- (ii) Best possible days sales outstanding. (3 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Highlight five benefits of settlement discount to an organisation. (5 marks)
- (b) (i) Explain the term "credit card". (2 marks)
- (ii) Outline three costs associated with the use of a credit card. (3 marks)
- (c) Analyse five factors that an organisation might take into consideration before commencing legal action against a debtor. (10 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Explain the purpose of the following documents used in export credit:
 - (i) Proforma invoice. (2 marks)
 - (ii) Bill of lading. (2 marks)
 - (iii) Inspection certificate. (2 marks)
 - (iv) Packing list. (2 marks)
 - (v) Insurance document. (2 marks)
 - (b) Discuss five types of credit insurance policies available to an organisation. (10 marks)
- (Total: 20 marks)**

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CCP PART I SECTION 1

CREDIT MANAGEMENT

PILOT PAPER

September 2015.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) (i) Argue cases for third party collection agencies over litigation of debts in debt collection. (6 marks)
- (ii) Summarise three factors considered when evaluating the performance of a debt collection agency. (6 marks)
- (b) Highlight four reports utilised by the credit department in evaluating its performance. (4 marks)
- (c) Differentiate between "consumer credit" and "trade credit". (4 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) (i) Outline two main purpose of a credit policy in an organisation. (2 marks)
- (ii) Distinguish between the terms "conservative credit policy" and "liberal credit policy". (4 marks)
- (b) Suggest five justifications for a robust information management system in the credit department. (5 marks)
- (c) (i) List any five sources of information for the assessment of credit risks. (5 marks)
- (ii) Explain four ways in which an organisation could use discounts in managing collections for imported cash flow. (4 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Your country has recently rolled out a credit information sharing initiative (KCISI) encouraging providers of credit to share their customers' information with a view of minimising information asymmetry in lending.

With reference to the above statement:

- (i) Explain the meaning of "credit information sharing". (3 marks)
- (ii) Discuss the necessity of credit information sharing. (4 marks)
- (iii) Highlight the contents of a credit report. (5 marks)
- (b) (i) Analyse three measures that a credit manager could take to ensure customers' compliance with terms of trade in trade credit. (3 marks)
- (ii) State five factors to consider when setting terms of trade. (5 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Discuss "CAMPARI" as used in credit analysis. (14 marks)
- (b) (i) Identify any three consumer loan products. (3 marks)
- (ii) In relation to consumer credit and customer referencing, outline three types of reports that could be obtained from a credit reference bureau. (3 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Collateral is the lenders' fallback position upon a borrower's default.

In relation to the above statement, discuss the common types of collateral for loans. (10 marks)

- (b) The sales ledger, an important record in the management of credits, displays the transactions made in a customer's account.

Required:

Summarise ten uses of the sales ledger in an organisation.

(10 marks)

(Total: 20 marks)

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**CCP PART I SECTION 1
CREDIT MANAGEMENT**

MONDAY: 23 November 2020.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) Discuss five main areas of credit department operations. (10 marks)
- (b) Describe five risks covered by export credit insurance. (5 marks)
- (c) Analyse five objectives of credit management. (5 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Identify five contents of a sales ledger. (5 marks)
- (b) Explain the following credit terms:
- (i) (Net) monthly account. (2 marks)
- (ii) 30 (or 60 or 90) days. (2 marks)
- (c) Explain the following terms as used in credit management:
- (i) Stage payment. (2 marks)
- (ii) 80/20 rule. (2 marks)
- (iii) Monthly account. (2 marks)
- (d) Analyse five factors that a credit manager should consider when hiring a third party collection agency. (5 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Describe six types of customer information that a good management system should provide on real-time basis. (6 marks)
- (b) Discuss four risks related to online payment methods. (8 marks)
- (c) Explain three types of mistakes that a collection officer should avoid when collecting debts. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Differentiate between "credit policies" and "credit procedures". (4 marks)
- (b) Analyse five factors that a credit manager should consider before suing a debtor for recovery. (10 marks)
- (c) State three short comings of using ratios in credit assessment. (6 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Analyse five renegotiated methods used by a lender to manage problem loans. (10 marks)
- (b) Credit analysts evaluate the risk factors that may influence loan applications and approvals. In this regard, they are incharge of collecting and examining the financial background of applicants.

With reference to the above statement, describe five daily tasks undertaken by a credit analyst. (10 marks)

(Total: 20 marks)

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**CCP PART I SECTION 1
CREDIT MANAGEMENT**

TUESDAY: 26 November 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- (a) Highlight four advantages of creating a company's internal debt collection unit. (4 marks)
 - (b) Explain four benefits of trade credit insurance to the suppliers. (8 marks)
 - (c) Discuss four stages of the credit appraisal process of a customer. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Enumerate four contents of a well written credit policy. (8 marks)
 - (b) Describe six factors to consider when formulating credit terms. (6 marks)
 - (c) Outline six benefits of effectively managing accounts receivable. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Discuss three best practice guidelines for managing credit risk in commercial banks. (6 marks)
 - (b) "Payment plans should be negotiated only when a customer cannot pay all the past due amount within a 30-day time frame".

With reference to the above statement:
 - (i) Enumerate two objectives of negotiating a payment plan. (2 marks)
 - (ii) Explain six key steps in a payment negotiation plan. (6 marks)
 - (c) (i) Explain the term "accounts receivable ageing schedule". (2 marks)
(ii) Identify four major columns in an accounts receivable ageing schedule. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Describe six features of a good billing management system. (6 marks)
 - (b) Identify six indicators of a cash strained business. (6 marks)
 - (c) Explain eight responsibilities of a credit manager. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Analyse three payment methods commonly used in trade credit. (6 marks)
 - (b) Propose five benefits of using brokers when purchasing credit insurance policies. (10 marks)
 - (c) Highlight four characteristic of a good credit proposal. (4 marks)
- (Total: 20 marks)**