



CCP FOUNDATION LEVEL
CREDIT RISK MANAGEMENT

TUESDAY: 19 August 2025. Afternoon Paper.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Distinguish between “low risk” and “high risk” as used in credit risk management. (4 marks)
 - (b) Describe **FOUR** components of effective credit risk management. (8 marks)
 - (c) Analyse **FOUR** challenges in developing a risk assessment matrix. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a)
 - (i) Explain the term “risk tolerance”. (2 marks)
 - (ii) Identify **FOUR** considerations that are used in establishing a firm’s risk context. (4 marks)
 - (b) Explain **THREE** types of exchange rates risks. (6 marks)
 - (c) Discuss **FOUR** reasons for setting credit limits. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Assess **FOUR** elements of a strong credit risk culture in an organisation. (8 marks)
 - (b) Analyse **PESTEL** as a model of credit risk assessment. (12 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Explain **THREE** techniques that could be used in mitigating counter-party risk in credit transaction. (6 marks)
 - (b) Analyse **THREE** advantages of monitoring external risk as a critical component of robust risk management. (6 marks)
 - (b) Examine **FOUR** sources of information used in individual credit risk assessment. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Enumerate **FOUR** factors that influence risk preference. (4 marks)
 - (b) Assess **FOUR** applications of probability of default (PD) in credit risk management. (8 marks)
 - (c) Discuss **FOUR** credit risks caused by overtrading. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Outline **SIX** determinants of credit risk premium. (6 marks)
 - (b) Describe **THREE** types of working capital management policies. (6 marks)
 - (c) Examine **FOUR** objectives of management analysis in credit risk. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Enumerate **SIX** factors affecting competitive forces within an industry. (6 marks)
- (b) Summarise **SIX** principles of selecting risk mitigation technique in credit risk. (6 marks)
- (c) Explain **FOUR** roles of technology in credit risk mitigation. (8 marks)

(Total: 20 marks)

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CCP FOUNDATION LEVEL
CREDIT RISK MANAGEMENT

WEDNESDAY: 23 April 2025. Afternoon Paper.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Distinguish between “expert judgement models” and “structural models” as used in credit risk management. (4 marks)
 - (b) Discuss **FOUR** management practices that may lead to negative operational risks. (8 marks)
 - (c) Analyse **FOUR** elements of the Boston Consulting Group (BCG) matrix as used in risk analysis. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) State **FOUR** objectives of monetary policy. (4 marks)
 - (b) Discuss **FOUR** sources of liquidity risks. (8 marks)
 - (c) Explain **FOUR** principles of effective risk management. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Identify **SIX** types of credit risk handling costs. (6 marks)
 - (b) Assess **THREE** objectives of credit risk rating framework. (6 marks)
 - (c) Evaluate **FOUR** parties that are exposed to credit risk in lending. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Distinguish between “revolving credit limits” and “flexible credit limits”. (4 marks)
 - (b) Summarise **FOUR** benefits of business economic cycles analysis to a credit risk manager. (8 marks)
 - (c) Discuss **FOUR** qualities of an effective credit risk system. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) State **FOUR** factors that a risk manager should consider when implementing a legal risk management system. (4 marks)
 - (b) Examine **FOUR** techniques used by non-financial institutions to mitigate their credit risk. (8 marks)
 - (c) Explain **FOUR** benefits of regular credit risk reporting. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Enumerate **FOUR** factors to consider when analysing an organisation’s external risk context. (4 marks)
 - (b) Assess **FOUR** limitations of industry’s lifecycle analysis, in relation to credit risk management. (8 marks)
 - (c) Describe **FOUR** ways in which increase in credit risk might affect return on investment. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Identify **THREE** factors that might have led to an increase in the use of credit risk modelling by lending institutions. (6 marks)
- (b) With reference to International Financial Reporting Standards (IFRS 9), analyse **THREE** stages of expected credit loss recognition. (6 marks)
- (c) Discuss **FOUR** types of operational risks identified by the Basel committee. (8 marks)

(Total: 20 marks)

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CCP FOUNDATION LEVEL

CREDIT RISK MANAGEMENT

TUESDAY: 3 December 2024. Afternoon 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 “expected loss” and “unexpected loss”. (4 marks)
 - (b) Describe **FOUR** components of a risk matrix. (8 marks)
 - (c) Examine **FOUR** factors that a credit manager should consider when setting credit limits. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Identify **SIX** activities of risk monitoring. (6 marks)
 - (b) State **FOUR** determinants of industry competition according to Michael Porter in view of industry risk and credit management. (4 marks)
 - (c) Strategies are the cornerstones that determine the success or failure of a business enterprise.
Discuss **FIVE** strategies that organisations adopt in the pursuit of their business goals. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Highlight **SIX** objectives of risk based supervision. (6 marks)
 - (b) Assess **THREE** benefits of integrated risk management. (6 marks)
 - (c) Discuss **FOUR** types of structural industry risks. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Outline **SIX** lapses that may be found in a customers’ loan proposal. (6 marks)
 - (b) Explain **THREE** elements prescribed in a credit risk appetite statement. (6 marks)
 - (c) Monetary policy is used in safeguarding the value of an economy’s currency and it involves the control of liquidity circulating in an economy.
With reference to this statement, evaluate **FOUR** tools used in monetary policy. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) (i) Distinguish between “qualitative risk mitigants” and “quantitative risk mitigants”. (4 marks)
- (ii) Summarise **FOUR** benefits of risk mitigants. (4 marks)
- (b) Explain **THREE** advantages of having a risk classification system. (6 marks)
- (c) Analyse **THREE** types of market risk in credit risk management. (6 marks)

(Total: 20 marks)

QUESTION SIX

- (a) State **FOUR** principles of credit rating and grading. (4 marks)
- (b) Assess **FOUR** macro-economic risk factors that affect businesses. (8 marks)
- (c) Examine **FOUR** components of the organisational structure worth noting in credit risk management. (8 marks)

(Total: 20 marks)

QUESTION SEVEN

- (a) Enumerate **SIX** internal documents that can be used in risk identification. (6 marks)
- (b) Explain **FOUR** elements of the mnemonic PARSER as used in credit risk assessment. (8 marks)
- (c) Describe **THREE** roles of a credit risk management department. (6 marks)

(Total: 20 marks)

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CCP FOUNDATION LEVEL
CREDIT RISK MANAGEMENT

TUESDAY: 20 August 2024. Afternoon 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 terms as used in credit risk management:
- (i) Credit risk modeling. (2 marks)
 - (ii) Credit risk culture. (2 marks)
- (b) Describe **FOUR** types of country risks, worth noting by credit risk managers while handling credit risks. (8 marks)
- (c) Discuss **FOUR** pillars of Enterprise Risk Management. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Outline **SIX** objectives of credit audit. (6 marks)
- (b) Explain **THREE** essential elements of periodical credit risk review. (6 marks)
- (c) With reference to management of credit risks, identify **EIGHT** management factor related risks in an organisation. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Enumerate **SIX** considerations made in the risk identification process. (6 marks)
- (b) Describe **THREE** elements of a credit risk strategy. (6 marks)
- (c) Explain **FOUR** types of financial statements used in credit assessment. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Distinguish between “cyclical industries” and “noncyclical industries” as used in credit risk management. (4 marks)
- (b) Examine **FOUR** types of internal risks to a business that are considered in credit risk evaluation. (8 marks)
- (c) Discuss **FOUR** factors that affect the probability of default in credit analysis. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) List **FOUR** types of credit risks relevant for decision making. (4 marks)
- (b) Analyse **FOUR** benefits of credit risk management to the national economy. (8 marks)
- (c) Argue **FOUR** cases in favor of carrying out a SWOT analysis while managing credit risks. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Explain **TWO** types of errors that can arise when making a credit decision. (4 marks)
 - (b) Describe **FOUR** responsibilities of credit rating agencies in credit risk analysis. (8 marks)
 - (c) With reference to credit risk management, discuss **FOUR** steps followed when performing industry and peer analysis. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Summarise **FOUR** conditions of a loan facility to a customer. (4 marks)
 - (b) Explain **FOUR** types of credit risk mitigants. (8 marks)
 - (c) Discuss **FOUR** approaches for risk treatment. (8 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL

CREDIT RISK MANAGEMENT

TUESDAY: 23 April 2024. Afternoon 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) (i) Explain the term “floating exchange rate”. (2 marks)
 - (ii) Outline **FOUR** benefits of a flexible exchange rate system. (4 marks)
 - (b) Identify **SIX** sources of external risks to an entity. (6 marks)
 - (c) Describe **FOUR** providers of credit in your economy. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Distinguish between “direct exposure” and “contingent credit exposure”. (4 marks)
 - (b) Assess **FOUR** determinants of intensity of competition among rivals within an industry. (8 marks)
 - (c) Evaluate **FOUR** elements considered when establishing the context for a risk assessment. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) State **FOUR** benefits of operational risk management. (4 marks)
 - (b) Explain **FOUR** essential skills of a credit analyst. (8 marks)
 - (c) Examine **FOUR** pitfalls encountered when conducting annual credit reviews. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) List **FOUR** elements of the credit granting process. (4 marks)
 - (b) Describe **FOUR** responsibilities of credit risk managers in managing credit applications. (8 marks)
 - (c) Discuss **FOUR** challenges of credit risk analysis. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Explain the meaning of the following terms as used in credit risk management:
 - (i) Differentiating the Product. (2 marks)
 - (ii) Differentiating the Price. (2 marks)
 - (b) Analyse **FOUR** principles of effective risk management. (8 marks)
 - (c) Evaluate **FOUR** tools that an organisation could use to carry out a business strategy analysis. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Summarise **FOUR** benefits of a good credit risk grading system. (4 marks)
- (b) Distinguish between “systematic risks” and “unsystematic risks”. (4 marks)
- (c) Assess **THREE** categories of industry risk classifications. (6 marks)
- (d) Explain **THREE** approaches used in assessing the likelihood of default. (6 marks)

(Total: 20 marks)**QUESTION SEVEN**

- (a) Enumerate **FOUR** factors considered in assessing industry risk. (4 marks)
- (b) Suggest **FOUR** elements that demonstrate sound corporate governance in banks. (8 marks)
- (c) Discuss **FOUR** signs of a distorted credit risk culture. (8 marks)

(Total: 20 marks)

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CCP FOUNDATION LEVEL
CREDIT RISK MANAGEMENT

TUESDAY: 5 December 2023. Afternoon 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) Differentiate between “written-down loan” and “charged-off loan”. (4 marks)
 - (b) Discuss **FOUR** components of credit risk rating. (8 marks)
 - (c) Evaluate **FOUR** limitations of SWOT analysis as a tool of risk assessment. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Outline **FOUR** types of external risks, that are worth noting in credit risk assessment. (4 marks)
 - (b) Summarise **THREE** types of structural industrial risks. (6 marks)
 - (c) Describe **FIVE** stages of industry life cycle. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a)
 - (i) Explain the term “Risk assessment matrix”. (2 marks)
 - (ii) Identify **FOUR** advantages of a risk assessment matrix. (4 marks)
 - (b) List **SIX** characteristics of a good credit risk management culture. (6 marks)
 - (c) Examine **FOUR** needs of working capital, that a credit risk analyst should consider. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) State **FOUR** dimensions of analysing risk in a credit transaction. (4 marks)
 - (b) Highlight **FOUR** benefits of credit scoring. (8 marks)
 - (c) Assess **FOUR** features of a risk management framework in an organisation. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Enumerate **FOUR** elements of an effective credit monitoring system. (4 marks)
 - (b) Explain **FOUR** methods of identifying business risks. (8 marks)
 - (c) Summarise **FOUR** functions of a credit committee. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) State **FOUR** categories of credit risk according to the level of probability. (4 marks)
- (b) Discuss **FOUR** types of political risks of interest to credit managers. (8 marks)

- (c) One of the best ways to understand an economy is to study the National Income (NI) or Gross National Product (GDP), usually expressed as:

$$Y = C + I + G + (X - M).$$

Required:

Explain **FOUR** independent variables in the above equation in relation to credit risk analysis. (8 marks)
(Total: 20 marks)

QUESTION SEVEN

- (a) Outline **SIX** practices that could point to weaknesses in credit risk management systems. (6 marks)
- (b) List **SIX** public disclosure requirements for financial institutions. (6 marks)
- (c) Propose **FOUR** elements of a self-examination program for credit risk management. (8 marks)
(Total: 20 marks)
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CCP FOUNDATION LEVEL

CREDIT RISK MANAGEMENT

TUESDAY: 22 August 2023. Afternoon 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 types of credit risks:
- (i) Country risks. (2 marks)
 - (ii) Institutional risks. (2 marks)
- (b) Discuss **FOUR** factors of production. (8 marks)
- (c) (i) Define the term “economic conditions”. (2 marks)
- (ii) Examine **THREE** reasons why a credit analyst should understand the economic conditions of a country. (6 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Enumerate **FOUR** factors to consider during risk identification process. (4 marks)
- (b) Explain **FOUR** components of market risk. (8 marks)
- (c) Describe **FOUR** factors to consider in evaluating business strategy matrix. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Discuss **FOUR** reasons for managing credit exposures. (8 marks)
- (b) Identify **THREE** ways in which a company could enjoy cost advantage under cost leadership strategy. (6 marks)
- (c) Explain **SIX** elements that a credit analyst should consider for comprehensive credit risk management. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Distinguish between “risk assessment” and “risk management”. (4 marks)
- (b) Describe **FOUR** factors that a credit analyst should consider when coming up with credit risk mitigation plans. (8 marks)
- (c) Explain the acronym, SWOT analysis. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Explain **THREE** advantages of using Probability of Default (PD) measurement in risk management. (6 marks)
- (b) Discuss **THREE** contents of a risk appetite statement. (6 marks)
- (c) Describe **FOUR** responsibilities of bank’s risk management committee. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) (i) Summarise **THREE** layers of business risks. (3 marks)
- (ii) Outline **FOUR** elements of liquidity policy. (4 marks)
- (b) State **FIVE** reasons for efficient credit risk review. (5 marks)
- (c) Examine **FOUR** factors that a credit analyst should consider when assessing credit risk of a corporate. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Outline **FOUR** red flags in a credit applicant's character assessment. (4 marks)
- (b) Describe **FOUR** methods of mitigating against challenges of credit risk. (8 marks)
- (c) Explain **FOUR** factors that influence market interest rates. (8 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL
CREDIT RISK MANAGEMENT

TUESDAY: 25 April 2023. Afternoon 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 types of risk contexts:
- (i) Risk management. (2 marks)
 - (ii) Internal. (2 marks)
 - (iii) External. (2 marks)
- (b) Summarise **THREE** principles of selecting credit risk mitigants. (6 marks)
- (c) Discuss **FOUR** benefits of credit risk analysis to financial institutions. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) List **FOUR** responsibilities of the credit risk function. (4 marks)
- (b) Describe **THREE** business factors that could contribute to loss given default (LGD). (6 marks)
- (c) Examine **FIVE** types of competition risk responses. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Identify **THREE** advantages of a risk identification matrix. (6 marks)
- (b) Propose **THREE** factors that a credit analyst could consider in marketplace component risk analysis. (6 marks)
- (c) Evaluate **FOUR** types of working capital risk mitigants that could emanate from working capital management. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Distinguish between a “term loan” and an “overdraft”. (4 marks)
- (b) Explain **FOUR** benefits of using credit scoring models. (8 marks)
- (c) Evaluate **FOUR** types of foreign exchange risks cover. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Define the following terms as used in external risk analysis:
- (i) Regulatory framework. (2 marks)
 - (ii) Environmental issues. (2 marks)
- (b) Analyse **FOUR** factors that could influence a firm’s working capital requirement. (8 marks)
- (c) Assess **FOUR** limitations of using credit to finance a business. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) State **FOUR** factors that could influence an entity's credit risk appetite. (4 marks)
- (b) Describe **THREE** goals of credit risk measurement. (6 marks)
- (c) Explain 5Cs as used in credit assessment. (10 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Differentiate between "risk" and "uncertainty". (4 marks)
- (b) Summarise **FOUR** types of financial risks that are worth noting by credit managers. (8 marks)
- (c) Assess **FOUR** challenges a credit analyst could face during credit risk analysis. (8 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL
CREDIT RISK MANAGEMENT

TUESDAY: 6 December 2022. Afternoon 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) Explain the term “risk infrastructure”. (2 marks)
 - (ii) Enumerate **FOUR** benefits of quantitative risk analysis. (4 marks)
 - (b) (i) Describe the term “balance of payment”. (2 marks)
 - (ii) Highlight **FOUR** causes of unfavorable balance of payment. (4 marks)
 - (c) Analyse **FOUR** elements of periodic credit risk review. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) State **FOUR** objectives of credit risk management. (4 marks)
 - (b) List **SIX** benefits of developing a risk assessment matrix. (6 marks)
 - (c) Discuss **FIVE** types of company strategies. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) (i) Explain the term “credit rating”. (2 marks)
 - (ii) Outline **FOUR** factors that influence credit rating. (4 marks)
 - (b) (i) Define the term “reputation risk”. (2 marks)
 - (ii) List **FOUR** actions of a credit officer that could trigger company reputation risk. (4 marks)
 - (c) Examine **FOUR** factors that could influence barriers to new entrants to an industry. (8 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) State **SIX** challenges encountered by credit analysts during cashflow-based loan assessment. (6 marks)
 - (b) Identify the **SIX** principles of lending. (6 marks)
 - (c) Describe **FOUR** types of qualitative risk assessment techniques. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Explain the following terms:
 - (i) Value at Risk (VaR). (2 marks)
 - (ii) Unexpected losses. (2 marks)
 - (iii) Probability of default. (2 marks)

(b) Enumerate **SIX** sources of strategic risk. (6 marks)

(c) Discuss **FOUR** factors that influence an organisation's level of risk appetite. (8 marks)

(Total: 20 marks)

QUESTION SIX

(a) State **FOUR** details that should be included in a loan agreement. (4 marks)

(b) List **SIX** benefits of a good credit risk grading system. (6 marks)

(c) Explain the 5P's of lending as used in credit assessment. (10 marks)

(Total: 20 marks)

QUESTION SEVEN

(a) Describe **THREE** factors that could determine the intensity of competition among rivals in an industry. (6 marks)

(b) Highlight **FOUR** types of exposure limits that should be clearly defined in a bank's credit policy. (4 marks)

(c) CCCPARTS is a model of credit risk assessment.

Required:

Explain the "PARTS" as applied in the model.

(10 marks)

(Total: 20 marks)

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CCP FOUNDATION LEVEL
CREDIT RISK MANAGEMENT

TUESDAY: 2 August 2022. Afternoon 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:
- (i) Production risks. (2 marks)
 - (ii) Corporate risks. (2 marks)
 - (iii) Sibling rivalry risks. (2 marks)
- (b) Outline six factors that affect the credit score of an individual. (6 marks)
- (c) Describe how the following parties are exposed to credit risk:
- (i) Banks. (2 marks)
 - (ii) Asset managers. (2 marks)
 - (iii) Hedge funds. (2 marks)
 - (iv) Insurance companies. (2 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Distinguish between “negative risks” and “positive risks”. (4 marks)
- (b) Discuss four benefits of risk monitoring and evaluation. (8 marks)
- (c) Describe four factors that a credit analyst should consider when calculating credit risks. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) With reference to financial and operational risk matrix, explain the following credit risk levels:
- (i) Low operating and low financial risk. (2 marks)
 - (ii) Low operating and medium financial risk (2 marks)
 - (iii) Low operating and high financial risk. (2 marks)
- (b) Discuss four principles of selecting credit risks mitigant. (8 marks)
- (c) Identify six demographics factors that could affect the bank’s choice of credit products. (6 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Analyse four elements that a credit analyst should consider for comprehensive risk management in an organisation. (8 marks)
- (b) Explain the acronym PARSER as used in credit risk assessment. (12 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Describe the following terms:
- (i) The “risk-return trade-off”. (2 marks)
 - (ii) Business cycle. (2 marks)
- (b) Analyse four ways through which the management could use to identify risk in an organisation. (8 marks)
- (c) Enumerate four principles of proper periodic credit review. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Explain the term “credit culture”. (2 marks)
- (b) Using the Porter’s Five Forces Model on competitive analysis, explain five risks that influence industry profitability. (10 marks)
- (c) Distinguish between the following types of risk assessment:
- (i) “Qualitative risk assessment” and “quantitative risk assessment”. (4 marks)
 - (ii) “Generic risk assessment” and “site-specific risk assessment”. (4 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Summarise four benefits of cash flow statement to a lending officer. (4 marks)
- (b) Outline eight principles applied by a credit committee in carrying out its core functions. (8 marks)
- (c) Identify four credit default events. (4 marks)
- (d) Explain the following levels of risks:
- (i) Low. (2 marks)
 - (ii) High. (2 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL

CREDIT RISK MANAGEMENT

TUESDAY: 5 April 2022. Afternoon paper.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) In the context of credit management, explain the following types of risks:
- (i) Potential risks. (2 marks)
 - (ii) Economic risks. (2 marks)
 - (iii) Currency risks. (2 marks)
 - (iv) Enforcement risks. (2 marks)
- (b) State four principles of an efficient credit governance system. (4 marks)
- (c) Analyse four areas that could be covered by a credit controller's risk mitigation plan. (8 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Outline six risk financing options. (6 marks)
- (b) Describe four assumptions that management might consider when carrying out strategic analysis of the organisation. (8 marks)
- (c) Explain three functions of a risk management department in an organisation. (6 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) (i) Explain the meaning of the term "recovery rate" as used in the management of credit risks. (2 marks)
- (ii) Outline three elements that could influence the amount of recovery. (6 marks)
- (b) Assess four advantages of informing customers of their credit limits. (8 marks)
- (c) Summarise four steps of cybersecurity risk analysis and prioritisation process. (4 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Analyse five parameters which a lender could use to judge the repayment capacity of a borrower. (5 marks)
- (b) Describe five factors that could influence a firm's profitability level. (10 marks)
- (c) Outline five benefits of understanding the impact of migration risk by a lender. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) (i) Explain the term “risk register”. (3 marks)
- (ii) List three reasons of developing a risk register. (3 marks)
- (b) Outline three objectives of a credit risk management process in a bank. (6 marks)
- (c) Describe four drivers of credit risk. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) (i) Explain the acronym PESTEL as used in risk classification. (6 marks)
- (ii) Outline four disadvantages of using PESTEL as a means of identifying risk. (4 marks)
- (b) Summarise four steps used to calculate probability of default (PD). (4 marks)
- (c) Explain three classes of suppliers of credit in your country. (6 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Explain three essential principles that govern setting of a customer’s credit limit. (6 marks)
- (b) Analyse three types of industry risk. (6 marks)
- (c) Describe four steps used to mitigate risk where a collateral is used as a security for a loan product in microfinance institutions (MFIs). (8 marks)
- (Total: 20 marks)**
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CCP FOUNDATION LEVEL
CREDIT RISK MANAGEMENT

THURSDAY: 16 December 2021.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) (i) Explain the term “credit risk”. (2 marks)
 - (ii) Describe five components of an effective credit risk management program. (5 marks)
 - (b) Distinguish between “credit risk assessment” and “credit risk measurement”. (6 marks)
 - (c) Describe CAMPARI model of credit risk assessment. (7 marks)
- (Total: 20 marks)**

QUESTION TWO

- (a) Describe four elements of SWOT analysis as a tool used in understanding an entity’s level of credit risk. (4 marks)
 - (b) Explain the following types of risks:
 - (i) Strategic risks. (2 marks)
 - (ii) Reputational risks. (2 marks)
 - (c) Highlight four essential skills that a credit analyst must possess. (4 marks)
 - (d) Explain the following terms:
 - (i) Credit risk philosophy. (2 marks)
 - (ii) Credit risk strategy. (2 marks)
 - (e) Examine two objectives of risk management. (4 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain five steps in risk management process. (10 marks)
 - (b) (i) Describe the term “credit risk committee”. (2 marks)
 - (ii) Outline three functions of a credit risk committee. (3 marks)
 - (c) Enumerate five steps that could be used to effectively identify risks across an institution. (5 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) Summarise four sources of credit concentration risk. (4 marks)
 - (b) Discuss three classes of operational risks. (6 marks)
 - (c) Analyse five roles of a Chief Risk Officer in the credit process. (5 marks)
 - (d) Enumerate five causes of bank illiquidity. (5 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a)
 - (i) Explain the term “risk assessment matrix”. (2 marks)
 - (ii) Examine three benefits of a risk assessment matrix. (6 marks)
 - (b) In relation to credit risk management, identify three qualities of good collateral assets. (6 marks)
 - (c) Explain the following methods that could be used to establish credit limits for customers:
 - (i) Payment performance. (2 marks)
 - (ii) Payment record. (2 marks)
 - (iii) Competition. (2 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Examine four responses that an institution could take against its risk exposure. (8 marks)
 - (b) List six challenges faced by financial institutions in the process of credit risk analysis. (6 marks)
 - (c) Explain three stages in the credit analysis process. (6 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Every business needs to have procedures in place that determine what payment terms a customer will receive and how much credit the customer will be given.

With reference to the above statement, analyse four benefits of setting customer credit limits. (8 marks)
 - (b) Propose four principles that an organisation’s management should consider when coming up with a business risk management plan. (8 marks)
 - (c) Differentiate between the terms “risk appetite” and “risk tolerance”. (4 marks)
- (Total: 20 marks)**
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