CERTIFIED CERIDT PROFESSIONALS (CCP)

FOUNDATION LEVEL

CREDIT RISK MANAGEMENT

TUESDAY: 2 December 2025. Afternoon Paper.   **Time Allowed: 3 hours.**

This paper consists of seven (7) questions. Answer any FIVE questions. ALL questions carry equal marks.

QUESTION ONE
(a)   Outline **FOUR** benefits of defining the credit risk appetite to a lending institution.   (4 marks)

(b)   Describe **FOUR** factors to consider when assessing financial risks of a loan applicant.   (8 marks)

(c)   Discuss **FOUR** types of transactions that might trigger credit risk.   (8 marks)
     (Total: 20 marks)

QUESTION TWO
(a)   Identify **SIX** sources of credit risks from the creditor's actions.   (6 marks)

(b)   Explain **SIX** factors that might influence the recovery rate of a loan.   (6 marks)

(c)   Analyse **FOUR** risks that could derail the implementation of a business strategy.   (8 marks)
     (Total: 20 marks)

QUESTION THREE
(a)   Explain the following terms as used in credit risk management:

     (i)   Risk appetite framework.   (2 marks)

     (ii)   Risk treatment.   (2 marks)

(b)   Assess **FOUR** factors considered in qualitative credit risk assessment.   (8 marks)

(c)   Discuss **FOUR** challenges of monitoring credit risk.   (8 marks)
     (Total: 20 marks)

QUESTION FOUR
(a)   (i)   Explain the term "current account deficit".   (2 marks)

     (ii)   State **FOUR** causes of a current account deficit.   (4 marks)

(b)   Describe **THREE** benefits of performing peer group analysis in the assessment and management of credit risk.   (6 marks)

(c)   Discuss **FOUR** limitations of using the BCG matrix framework in credit analysis.   (8 marks)
     (Total: 20 marks)

QUESTION FIVE

(a)   Explain **THREE** types of business strategies.   (6 marks)

(b)   Describe **THREE** types of risk preference.   (6 marks)

(c)   Modern credit risk analysis techniques involve the use of advanced strategies and technologies for more accurate and comprehensive credit risk assessment.

        With reference to the above statement, examine **FOUR** modern techniques used to undertake credit risk analysis.
                                                                                            (8 marks)
                                                                                (Total: 20 marks)

QUESTION SIX

(a)   Summarise **SIX** strategic roles of credit risk management.   (6 marks)

(b)   Explain **THREE** effects of a country's fiscal policies on credit risk.   (6 marks)

(c)   Analyse **FOUR** factors that affect risk attitude.   (8 marks)
                                                                                (Total: 20 marks)

QUESTION SEVEN

(a)   Enumerate **FOUR** types of technological risk that affect credit risk management in firms.   (4 marks)

(b)   Explain **FOUR** impacts of regulatory frameworks on how financial institutions manage credit risk.   (8 marks)

(c)   With reference to integrated view of firm-level risks, discuss **FOUR** ways used by financial institutions to identify credit risk.   (8 marks)
                                                                                (Total: 20 marks)

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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 lifecyle 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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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)   Desccribe **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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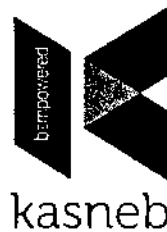
CCP FOUNDATION LEVEL

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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