

UGANDA MARTYRS UNIVERSITY, NKOZI

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF MICRO FINANCE

BA MF I SEMESTER TWO 2017/18

COURSE UNIT: CREDIT APPRAISAL & MONITORING

DATE: Monday, 7th May 2018

Time allowed: 9:30am-12:30pm

Instructions to Candidates:

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) Start every question on a new page
- 4) Clearly state the question number & sections attempted
- 5) Answer **any four** questions, all questions carry equal marks

QUESTION ONE

- a) Define credit appraisal. **(2 Marks)**
- b) In your view, who are the key players in the loan appraisal process? **(5 Marks)**
- c) Discuss in detail the advantages of credit appraisal. **(5 Marks)**
- d) What are the causes of poor loan appraisal? **(13 Marks)**

QUESTION TWO

When appraising groups, the Credit Officer should consider the major features or stages of group development. It is very important to identify at what stage the group is in at a certain period of time in order to address its challenges. Examine the different stages of group development while giving characteristics of each stage and action taken by Credit Officer at each stage. **(25 Marks)** A diagram is an added advantage.

QUESTION THREE

- a) Using the knowledge you have acquired discuss in detail any two approaches you can use to appraise individual loans. **(20 Marks)**
- (b) Explain the factors that influence the choice of collateral. **(5 Marks)**

QUESTION FOUR

Write short notes on the following. **(5 Marks each)**

- a) Characteristics of collateral
- b) Indicators of poor performing loan portfolio
- c) Effects of poor loan appraisal
- d) Factors to consider in character assessment of applicant

- e) What does loan process involve?

QUESTION FIVE

- a) Whenever appraising groups, the credit officer should always consider major features or stages of group development. What are these different stages of group formation? (5 Marks)
- b) Discuss characteristics of each group formation stage above. (20 Marks)

N.B. A diagram at each stage is an added advantage.

QUESTION SIX

After gathering information and data from the applicant using the loan application form, the Credit Officer visits the applicant's residence and business to assess 8 aspects which will help the Credit Officer analyze the repayment capacity of applicant.

Required:

- a) Discuss the 8 aspects above. **(16 Marks)**
- b) What is the relevancy of loan monitoring? **(6 Marks).**
- c) Explain any 3 challenges of lending to individuals. **(3 Marks)**