



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

CREDIT MANAGEMENT 2B

CRM22B2

LAST ASSESSMENT OPPORTUNITY

Date of Test: 13 NOVEMBER 2015

Time: 2 hours

Marks: 100

Assessor: Yusuf Patel

Moderator: Fred Hemmings (Internal)

INSTRUCTIONS:

- This paper consists of 3 pages (including the cover page).
- Start each question on a new page.
- Where applicable, round all calculations to two decimal places, unless stipulated otherwise.

Question	Topic	Marks	Time
1	Debt review	26	31 minutes
2	Planning, organising, leading and control	16	19 minutes
3	Motivation of staff within the credit department	20	24 minutes
4	Cash budgets	20	24 minutes
5	7 C's of Credit Management	18	22 minutes
		100	120 minutes

QUESTION 1**(26 marks)**

Joe Motion is an individual that has been working for five years. He has used credit facilities to purchase a vehicle, a house and a holiday. He has recently suffered a terrible accident and has lost his job. Due to not having an income he is struggling to repay his debts. He has already been summonsed on the personal loan he used to take a holiday.

- 1.1) Define the term debt counselling (2)
- 1.2) List the characteristics and essentials of the Mortgage bond he has taken out to use to purchase the house. (10)
- 1.3) Does Joe Motion qualify for debt review (2)
- 1.4) List the steps applicable that will face under debt review (12)

QUESTION 2**(16 marks)**

Fully discuss the importance of planning, organising, leading and control in a business.

QUESTION 3**(20 marks)**

You have recently been appointed as a credit manager within a medium sized retail business. On taking over the position from the previous credit manager who has left the company to go on retirement, you are aware that the current morale of the existing staff members in the department appears to be one of total apathy where they appear to be totally demoralised and unmotivated to achieve what is required of their respective job portfolios for which they have been employed to do. It is clear that some drastic action needs to be taken to elevate the staff members' morale and motivation within the credit department and as the newly appointed credit manager you realize that this responsibility falls squarely upon your shoulders to achieve.

Required:

Fully discuss how you (as the newly appointed credit manager) would go about motivating the staff members within the credit department to excel in their jobs. Motivate your answer fully.

QUESTION 4**(20 marks)**

Crank Ltd prepares a monthly cash budget. As a basis for its 2015 cash budget, it has compiled the following information:

1. Monthly sales forecast for 2015 are as follows:

January	February	March	April	May
R200 000	R180 000	R250 000	R300 000	R450 000

2. Eighty percent of sales are on credit terms, and 20 % are for cash. Fifty percent of total sales are collected in the first month following the sale. The remainder is collected in the second month following the sale. Actual sales in the last two months of 2014 were:
November – R300 000 and December –R200 000
3. Material purchases in each month are equal to 30% of sales forecast for the next month.
4. Labour expenses are paid as follows: January R70 000, February R90 000 and March R40 000, April R35 000 and May R45 000.
5. Selling and administration expenses of R40 000 per month are paid in the month incurred.
6. Interest expenses are payable in May 2015 and a 12% p.a. on a loan of R120 000.
7. Overhead expenses of R25 000 per month are paid in the month incurred.
8. An estimated cash tax payment of R20 000 will be paid on 15 April.
9. Depreciation expenses are R5 000 per month.
10. The cash balance on 28 February 2015 was R45 000.

Required:

Prepare a cash budget for Crank Ltd for March 15 – May 15 showing all necessary calculations.

QUESTION 5**(18 marks)**

Explain what the 7C's model is and how you would use it to analyse the merits of an individual whom is applying for a line of credit through your business.

Hint: state and explain the 7 C's and explain how it can be used.