



UNIVERSITY
OF
JOHANNESBURG

UNIVERSITY OF JOHANNESBURG

SOWETO CAMPUS

DEPARTMENT OF COMMERCIAL ACCOUNTING

CREDIT MANAGEMENT

11 JUNE 2014

LAST ASSESSMENT OPPORTUNITY

TIME: 120 Minutes

MARKS: 100

ASSESSOR: H. J. MARX

MODERATOR: F. HEMMINGS

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 12 Questions and 4 pages.
2. You are reminded that answers may **NOT** be written in pencil
3. The marks shown against the requirement(s) for every question should be regarded as an indication of the expected length and depth of the answer.
4. Answer the questions by use of –
 - o Effective structure and presentation;
 - o Clear explanations;
 - o Logical arguments; and
 - o Clear and concise language.

QUESTION 1**(6 MARKS)**

In the subjects Credit Management and Credit Control we concentrate on the meaning of credit, the reason why it is used, and the development of credit.

In South Africa credit is regulated by the National Credit Act 34 of 2005

YOU ARE REQUIRED TO:

Describe the purpose of this Act.

QUESTION 2**(4 MARKS)**

One of the Credit Act's objectives is to protect the consumer

YOU ARE REQUIRED TO:

Discuss four (4) ways that the act accomplishes or attains this..

QUESTION 3**(6 MARKS)**

Generally speaking, all credit agreements have two things in common: credit that is extended and a charge, fee or interest that is payable or a lower price that applies in the event of early settlement (payments).

YOU ARE REQUIRED TO:

Name three classifications (types) of credit transactions and describe.

QUESTION 4**(6 MARKS)**

In the earliest times goods and services were offered in exchange for something of the same value. The sole aim of this exchange was to provide for the needs of people on a daily basis. It was not possible to always get a exchange of the same value and credit was introduced as a promise to get the right exchange value.

YOU ARE REQUIRED TO:

Define the terms Credit and Creditworthiness (3 marks each)

QUESTION 5**(6 MARKS)**

A Store card is a private enterprise credit card that an enterprise uses to attract consumers to purchase goods from them or a specific chain of stores and the card holder receives a statement that shows all purchases and payments on it.

YOU ARE REQUIRED TO:

Describe which information should be included on this statement received by the customer

QUESTION 6**(9 MARKS)**

The National Credit Act addresses and corrects imbalances in negotiating powers between the consumer that wants credit and the supplier of credit

YOU ARE REQUIRED TO:

List the typical requirements of this transaction between the parties

QUESTION 7**(12 MARKS)**

According to the National credit act it must protect the consumer and promote responsible borrowing and both the consumer and suppliers do have rights and obligations.

A motor dealer sold a vehicle to a consumer on an instalments sales agreement

YOU ARE REQUIRED TO:

- a) Discuss under which conditions the supplier can repossess the vehicle (4)
 - b) Explain the pros of repossession (4)
 - c) Explain the term "Breach of peace" (4)
-

QUESTION 8**(8 MARKS)**

A credit policy is a guideline according to which decisions can be made and tasks can be performed.

YOU ARE REQUIRED TO:

Describe the aspects that should be included by the credit department in the credit and collection policy in relation to the applicant or the consumer.

QUESTION 9**(6 MARKS)**

Enterprises that sell on credit constantly develop new credit programmes and introduce them to the market.

YOU ARE REQUIRED TO:

Describe the tasks that are normally performed by the credit department.

QUESTION 10**(14 MARKS)**

There is some disagreement on exactly where the credit department should be positioned in a large retail organisation structure of the enterprise, and to whom the credit manager should report.

YOU ARE REQUIRED TO:

Discuss the placement of the credit department in the marketing department under the following criteria; advantages and disadvantages.

QUESTION 11**(14 MARKS)**

Cooperation between the credit department and other departments is essential for the success of the enterprise and communication.

YOU ARE REQUIRED TO:

Discuss seven (7) reasons that friction exists between the sales and credit departments and suggest actions to eliminate these frictions.

QUESTION 12**(9 Marks)**

In the establishment of the concept of consumer credit, various characteristics of credit were discussed.

YOU ARE REQUIRED TO:

Read the following statements carefully and indicate against the corresponding number if the statements are true or false, on the answer sheet provided.

1. An open account facility is generally used when providing services such as water and electricity.
 2. In the case of installment credit, the buyer does not need to pay a deposit.
 3. A buyer with a revolving credit account can use the account again and again.
 4. If a person with a option account decides to spread payment over a few months, interest is charged.
 5. Credit card holders have to pay a minimum payment.
 6. Personal loans are granted only by commercial banks.
 7. A bank overdraft facility is granted to the current account holder for an unlimited period.
 8. If the bank's interest rate rises, the monthly installment on a mortgage loan also rises.
 9. In the case of installment credit, the buyer is the owner of the goods supplied.
-