



Department of Commercial Accounting

**CREDIT CONTROL 1B &
CREDIT MANAGEMENT 1B**

BCC11B1 and CRM11B1

Supplementary Examination

Date of test: December 2017

Time: 2 hours

Marks: 100

Assessor: Eddie Kodisang
Internal Moderator: John Mabejane

INSTRUCTIONS:

This paper consists of **9 pages** (including the cover page).

- Start each question on a new page.
- Write clearly and number your questions correctly.
- Start each question on a new page.

Question	Topic	Marks	Time
1	Multiple Choice Questions	30	36 minutes
2	Credit Policy and debtors collections	10	11 minutes
3	Factors to consider when granting credit terms	20	24 minutes
4	Factors that lead to poor credit decisions being made	10	11 minutes
5	Debtors collections and procedures	20	19 minutes
6	Debtors collections and procedures	10	13 minutes
		100	120 minutes

QUESTION 1**(30 marks)**

Answer the multiple choice questions on the attached answer sheet on **page 9**. **Mark the correct option clearly with a big cross. Do not remove the staple or any of the pages.** The questions are worth 2 marks each.

- 1) When a commercial bank supplies a bank code "F", what would that indicate?
- A. good for amount
 - B. not good for amount
 - C. financial position unknown
 - D. past defaults
- 2) Which of the following relates to the task of the credit manager when a policy is formulated.
- A. analysing the information on the application form
 - B. analysing the financial statements of the enterprise
 - C. determining guidelines according to which credit and collection decisions can be made
 - D. seeking assistance of the accounting department
- 3) Working capital management is a managerial accounting strategy that focuses upon maintaining efficient levels of both components of working capital. Which of the following components is not included the determination of working capital?
- A. bank
 - B. mortgage
 - C. accounts payables (creditors)
 - D. account receivables (debtors)
- 4) The longer the account is overdue, the greater the risk of bad debts.
- A. lesser.
 - B. better.
 - C. smaller.
 - D. greater.
- 5) When the extensions and collections of credit are properly controlled, bad debts will be kept to a _____; the cash flow of the company will _____, disputes with customers will be kept to a _____.
- A. minimum, decrease, maximum
 - B. minimum, increase, minimum
 - C. maximum, decrease, maximum
 - D. minimum, decrease, minimum

- 6) ... is when the enterprise sells its debtors to an enterprise specializing in purchasing debtors.
- A. credit sales
 - B. financial credit
 - C. collections
 - D. factoring
- 7) Which ratio is expressed as a percentage, between the net income that an enterprise has earned during a certain period and the capital that the enterprise had to spend to earn this net income?
- A. profitability ratio.
 - B. liquidity ratio.
 - C. solvability ratio.
 - D. activity ratio.
- 8) Co-operation with the ... department is also necessary because this department deals with, among other things, the records of account payments that contain important information for the credit department.
- A. marketing
 - B. administration
 - C. purchasing
 - D. financial
- 9) Credit has a direct influence on the enterprise's ...
- A. cash flow
 - B. bank account
 - C. creditors
 - D. creditworthiness
- 10) Granting credit involves ... for the enterprise
- A. interest
 - B. costs
 - C. cost
 - D. bad debts
- 11) If an enterprise extends credit easily, it has a ... credit policy
- A. strict
 - B. liberal
 - C. big
 - D. open

- 12)** ... helps the enterprise and the individual to increase their buying power
- A. costs
 - B. cash
 - C. credit
 - D. capital
- 13)** The credit and collection policy together should thus be aimed at attaining the ... objective of the enterprise.
- A. secondary
 - B. only
 - C. primary
 - D. last

QUESTION 2**(10 marks)**Outline in detail the **FOUR** objectives of credit policy**(8)**

2.1
2.2
2.3
2.4

The decision to apply a credit extension policy have implications for the business.

2.5 Mention **TWO** implications for the business in applying for a credit extension.**(2)**

2.5.1
2.5.2

QUESTION 3**(20 marks)**

Fully discuss **ALL** the factors that a business should consider when deciding about the 'credit period' that it should extend to its customers.

QUESTION 6

(10 marks)

Outline/mention five reasons why cash is needed in a business marks?

10

Question Section E - Answer Sheet**(Remember to write your student number on the bottom of this sheet)**

	A	B	C	D
Question 1				
Question 2				
Question 3				
Question 4				
Question 5				
Question 6				
Question 7				
Question 8				
Question 9				
Question 10				
Question 11				
Question 12				
Question 13				

Student No:

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