



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

CREDIT CONTROL 1A – CRC11A1

LAST ASSESSMENT OPPORTUNITY

Date of Examination: 28 MAY 2019

Time: 2 hours

Marks: 100

Assessor: Mr EE Kodisang
Internal Moderator: Mr J Mabejane

INSTRUCTIONS:

This paper consists of 3 pages (including the cover page).

- Where applicable, round all calculations to two decimal places, unless stipulated otherwise.
- Start each question on a new page.

Question	Topic	Marks	Time
1	The nature and meaning of credit	20	24 minutes
2	Elements of management	12	14 minutes
3	Terminologies, definitions and concepts	18	22 minutes
4	Functions of management	30	36 minutes
5	Objectives of credit management and the tasks of a credit manager	20	24 minutes
		100	120 minutes

QUESTION 1**(20 marks)**

“Meaningful credit related decisions should be made in line with a clearly written credit and collections policy”.

Required:

- 1.1 Discuss the link between trade and consumer credit (10)
 - 1.2 Discuss the establishment and development of credit in reference to the nature of ‘*creditum*’ (10)
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QUESTION 2**(12 marks)**

“A credit manager is measured on his/her ability to create procedures, policies and a credit management team that is able to effectively assess the merits of the department’s credit applications and thereafter to acquire timely payments from their debtors”.

Required:

In light of the above captioned statement, critically discuss the elements of management in aligning a business’s goals and objectives to predetermined standards set within the credit department

QUESTION 3**(18 marks)**

Define the following concepts in no more than two lines each:

(Each sub-question counts for two marks each)

- 3.1 Production function within a business (2)
 - 3.2 Revolving credit account (2)
 - 3.3 Span of control (2)
 - 3.4 Floor limit (2)
 - 3.5 Apply the acronym ‘MOST’ in conjunction with credit management (substantiate your answer with practical examples) (10)
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QUESTION 4**(30 marks)**

- 4.1 Critically discuss the evaluation of positioning the credit department in the financial department. (6)
- 4.2 Discuss the guidelines that may be practised in terms of the reduction and elimination of friction between the credit and the sales department. (10)
- 4.3 Growth in an organisation impacts upon the business organisational structure. With reference to the given statement, discuss the impact it has upon business organisational structure (4)
- 4.4 The human resources department plays a major role in the business in terms of recruiting proficient employees who meet the necessary job description and specifications. Discuss the cooperation between the human resources and credit department. (10)
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QUESTION 5**(20 marks)**

- 5.1 Explain what the key tasks of the credit management function should be. (6)
- 5.2 Critically discuss the objectives of credit management (14)
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Total [100]