



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

CREDIT CONTROL 1A – CRC11A1

SUPPLEMENTARY ASSESSMENT OPPORTUNITY

Date of examination: JULY 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).

- Write clearly, as illegible handwriting is difficult to mark.
- Start each question on a new page.

Question	Topic	Marks	Time
1	Strategic objectives and implications of credit	20	24 minutes
2	Cost of credit, pros and cons of offering credit to business	15	18 minutes
3	Forms of credit	12	14 minutes
4	Terminologies, definitions and concepts	10	12 minutes
5	Credit and collection policy	9	11 minutes
6	Functional areas	14	17 minutes
7	Position of credit department in an organisation	20	24 minutes
		100	120 minutes

QUESTION 1**(20 marks)**

Both the person, whom borrows money from a financial institution, as well as the financial institution itself, has responsibilities towards each other.

Required:

- 1.1 What are the implications of offering credit to your clients? (6)
- 1.2 List the seven qualities of a good strategic objective of an enterprise. (14)
(Hint: How strategic objectives should be)
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QUESTION 2**(15 marks)**

- 2.1 Discuss the costs of credit for a business. (5)
- 2.2 Contrast five advantages and disadvantages of offering credit to a business in a form of a diagram. (10)
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QUESTION 3**(12 marks)**

Describe six forms of consumer credit with the aid of a practical example in which they are used.

QUESTION 4**(10 marks)**

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

(Each sub-question counts for 2 marks each)

- 4.1 Bank overdraft facility
- 4.2 Precautionary motive
- 4.3 Factoring
- 4.4 Floor limit
- 4.5 Span of control
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QUESTION 5**(9 marks)**

- 5.1 List the main components of credit and collection policy. (4)

Goals and objectives should satisfy the *SMART* acronym to ensure they are quantifiable and objective-related.

- 5.2 What does the acronym **SMART** stand for? (5)
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QUESTION 6**(14 marks)**

Demonstrate the functional areas of an enterprise by means of an organisational structure.

QUESTION 7**(20 marks)**

- 7.1 List six key factors that will determine the position of the credit management function in the organisation structure. (6)
 - 7.2 Give two reasons why it may be not be preferable for the credit department to fall under the financial department in the organisational structure of the business. (4)
 - 7.3 Explain five variety of ways in which the credit department can offer customers on-going quality service. (10)
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Total [100]