On Demand Examination

PRINCIPLES OF CREDIT MANAGEMENT

Level 2

Subject code: ASE20061 SAMPLE PAPER

Time allowed: **75 minutes**

You need:
- this test paper
- an answer sheet
- a HB pencil
- an eraser

You may NOT use a dictionary.

Do NOT open this paper until you are told to do so by the supervisor.

There are 30 questions in this paper.

Total marks available: **30**

Try to answer ALL the questions.

**INSTRUCTIONS**
- Make sure your personal details are entered correctly on the candidate answer sheet.
- Read the instructions for each set of questions carefully and choose the correct answer – A, B, C or D.
- Enter your answers on the candidate answer sheet using an HB pencil.
- Make sure you only mark one answer for each question and that you completely fill the circle.
- If you make a mistake, make sure you erase it completely.
- Only complete as many answers as there are questions.
- At the end of the test hand the question paper, your answer sheet and all notes to the supervisor.

NB. This sample paper contains only 10 questions.
1. There are a number of credit agreements available for consumers. Which of the following does not apply to the granting of consumer credit?

A. Credit card  
B. Hire purchase agreement  
C. Load over load  
D. Store card

2. Which of the following businesses are personally liable for their business debts?

A. The board of directors of XYZ Plc  
B. The directors of ABC Limited  
C. The partners of Smith and Jones, solicitors  
D. The Secretary of State of a Government department

3. Which of the following statements describes the Incoterm, EXW?

A. Goods are delivered over the ship’s rail at the named port of shipment  
B. Goods are delivered to a named port in the exporter’s country  
C. Goods are delivered to a named place in the importer’s country  
D. The goods are made available to the buyer at the exporter’s premises

4. Which of the following methods of payments guarantees that payment will be received on export sales?

A. Letter of credit issued by a main clearing bank  
B. Load over load terms  
C. Open 30 day account, supported by good payment history  
D. Payment by business cheque on receipt of goods

5. As credit manager, you are responsible for ensuring that invoices are paid on time. Which of the following best describes your area of responsibility?

A. Accounts Payable  
B. Accounts Receivable  
C. Fixed Assets  
D. Share Capital
6. The period when credit is outstanding has to be financed, which of the following methods will not assist the financing of credit?
   A. Bank overdraft
   B. Factoring and invoice discounting
   C. Purchase of fixed assets
   D. Operational cash flow

7. Which of the following types of credit agreement is suitable for the sale of goods, where the ownership of those goods is retained, until full payment is received?
   A. Credit card
   B. Credit sale agreement
   C. Hire purchase
   D. Store card

8. A customer master file holds current information on each customer. Which of the following would not be required in such a file?
   A. Bank interest rate
   B. Contact name and telephone number
   C. Delivery address
   D. Signed terms and conditions

9. Which court would be appropriate to pursue the recovery of an outstanding debt from a trade customer, for the sum of £325,500?
   A. Bailiffs Court
   B. County Court
   C. Hampton Court
   D. High Court

10. Which of the following factors, is least likely to be a main factor in deciding the collection method used in the recovery of an overdue account?
    A. Amount overdue
    B. Cost of credit
    C. Cost of collection activity
    D. Type of customer
## Scoring

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