

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

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LCCI IQ AWARD IN PRINCIPLES OF CREDIT MANAGEMENT
ASE20061
LEVEL 2
MARKING SCHEME

Scoring	
Pass	54%
Fail	Less than 54%

Question	Key	Syllabus topic
1	C	
2	C	
3	D	
4	A	
5	B	
6	C	
7	C	
8	A	
9	D	
10	B	