



INSTITUTE OF CREDIT MANAGEMENT

Certificate in Credit Management Part One

Updated syllabus to be effective from 1 January 2001

1. Definition of Credit

2. Forms of Credit :-

Definitions, sectors affected and the role of the economy of:-

Consumer credit

Commercial Credit

Export / International credit

Government credit

Banking credit

Agricultural credit

3. Sources and role of Credit :-

(i) Controls, functions, products and responsibilities of:-

Commercial Banks

Merchant Banks

Finance Houses

Factoring Houses

South African Reserve Bank

Land Bank

Small business development corporations

Micro lenders

(ii) The role of Credit in business:-

Cash cycle and the use of credit in business

Advantages & disadvantages of offering credit

Cost of Credit to a business

Chain of distribution and the varying credit requirements

(iii) The role of Credit in the life of a consumer:-

Benefits and dangers in using credit

Understanding consumer rights and obligations

(iv) The role of Credit in the economy :-

Understanding the various pressures and economic influences -
Legislation
Social obligations
International
Political
Technological
Brief overview of the impact of the excessive use of credit on the economy

(v) Definitions of Credit Terminology:-

Open Account (*include risk & ownership*)
Installment Sale Agreements (*include risk & ownership*)
Leasing & Rental Agreements
Revolving Credit
Credit worthiness
Purchasing Power
Credit Redemption
Credit Volume
Credit Limit
Cash Cycle
Credit Risk
Credit Service
Profit
Over-trading
Liquidation
Sequestration
Conditions of Sale
Credit terms
Credit period
Trade Discount
Settlement Discount
Age Analysis
Overdue Report
Days Sales Outstanding
Forward Buying
Consignment Stock
Cash flow
Bad debts
Finance charges
Penalty charges
Interest
Interest rates
Jurisdiction
Domiciled
Seasonal dating

(vi) Payment Terms and factors influencing them:-

Cash with Order
Cash before delivery
Cash on delivery
Specific days from date of invoice
Specific days from date of statement
Load over Load
Sold on Consignment
Sight draft
Installments

4. Internal Credit Environment:-

(i) Functions of a Credit Department:-

New Account Assessments
Account maintenance
Collections

(ii) Credit Policy:-

Definition
Role and use of the Policy
Basic Contents of the Policy

(iii) Credit Evaluation:-

The 7 C's of Credit:-

Character
Capacity
Capital
Collateral
Credit History
Conditions
Common Sense

The role of the 7 C's in determining risk:-

Consumer
Commercial

(iv) Consumer Assessments:-

(a) Gathering Information

Credit Applications & Credit Agreements
(Open accounts, cash loans & installment)
(Which information is asked for & why)

Credit Bureau

(include the role of the bureau and consumer information)

Trade References

(which ones to use, and information to be obtained)

Employment Verification
Deeds Office
Government Gazette

- (b) Value of Personal Interviews
When are they used
How are they conducted
What role do they play in the assessment process

- (c) Evaluating the Risk
Manually:-
Using the 7 C's of Credit

Scoring :-
Manual Scoring - using:-
Contactability
Salary confirmation
Credit Bureau listing
Electronic Scoring – using:-
Information weightings based on past bad debt history and
industry trends

- (d) Decision Making & Credit Limit setting
Manual system
Scoring System

- (v) Commercial Assessments :-

- (a) Sources of Information
Credit Application Forms + Conditions of Sale
(Importance of information obtained – including understanding all forms of business ownership and the legal set up requirements thereof)

The Role of the following non-financial sources in
Commercial Credit:

Credit Bureaus
Director Links & past history
Trade References
Salesman's Report
Bank Codes & Reports
Deeds Office
Government Gazette
Newspapers
Industry Share Groups
Professional Institutions
Competitors

- (b) Evaluating the Risk using the 7C's of Credit and the non-financial information gathered.
- (c) Setting a credit limit:-
Basic method – :
taking customer requirements, terms and credit worthiness.
- (vi) Collections
 - (a) Importance of prompt collections
Cost of overdue accounts
Cost of bad debt write-offs
 - (b) Payment Methods:-
Negotiable Instruments:-
Bills of Exchange
Promissory Notes
Cheques – Endorsements &
Restrictions
Post dated Cheque
Acceleration Clause
Telegraphic & electronic transfer
Postal Orders
 - (c) Collection Objectives
 - (d) Collection Procedures Policy
Definition
Format
Internal & External influences
Content
 - (e) Target setting for individual collectors
Categorize debtors – using:-
Age
Amount
Payment history
 - (f) Collection Tools
Age Analysis
Exception Reports
Facsimile
Letters
Telegrams
Statements
3rd Party collections – ADRA & Code of Ethics
 - (g) Differences between consumer & commercial collections

- (h) Measurement of Effectiveness
Time, Value and productivity
 - (vii) Debtors Administration
 - Maintaining the account
 - Understanding debits and credits
 - Credit and debit notes - authority levels & allocations
 - Journals – Credit and Debit
 - Importance of keeping an “open to buy” situation
 - Banking procedures and balancing
 - Data Capturing & balancing
 - Reconciliations – Open Item & Balance brought forward
 - Cash Sale Reconciling
 - Masterfile maintenance & authority levels
 - Filing systems and the importance thereof
 - (viii) Inter-departmental Co-operation
 - Introduction to Company & departmental objectives
 - The obligations of the credit personnel to other departments
 - The obligations of other departments to the credit personnel
 - Importance of Team strategy
5. Introduction to the Basic Law of Contract
- (i) Law of Contract
 - Definition of a legally binding contract – verbal or written
 - Exceptions to the above criteria
 - (ii) Contract of Sale
6. Supervisory Skills
- Role of the Supervisor:-
 - Obligations to Management
 - Obligations to staff – basics of Plan, Lead, Organize and control
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