



WEEK 32

ASSIGNMENT PACKET

Answer the attached credit project and chapter questions in an email and/or Google Doc. Please reference the CFIN chapter in the subject of the email if you are working on this in sections. These assignments are due by Sunday night at midnight.

The CFIN chapter is on the website for you reference.

Please reach out to me with questions!

PROJECT: YOUR CREDITWORTHINESS

Your creditworthiness is one of your most valuable personal resources. With a strong credit rating, you will be able to access financing when you need it and usually with much better credit terms than will be offered to someone with a poor credit history. Even if you don't have any immediate needs for personal credit, you can begin now to build your creditworthiness. Businesses use the 5 C's of credit to evaluate credit eligibility. Each of the 5 C's is identified in the space below. Conduct a personal evaluation of your current strengths for each of the C's and list them in the appropriate area. Then list steps you can take or things you can do to improve your qualifications in each area and build your creditworthiness.

MY 5 C'S OF CREDIT

	My Current Strengths	Steps to Improve My Creditworthiness
CHARACTER		
CAPACITY		
COLLATERAL		
CONDITIONS		
CAPITAL		

PROTECTING YOUR CREDIT

Protecting personal information through effective online security measures has become one of the most important requirements for everyone using any type of online communications or business services. Preparing, remembering, and using specific security procedures will greatly reduce your chances of having your personal identity stolen, financial accounts compromised, or computer software and files hacked and damaged. The chart below presents several specific situations where your online security is at risk. For each situation, write one specific action you can take that will reduce the online threats you face. Make a personal commitment to take each step regularly to increase your personal security.

To deal with the security issue related to:	I will take the following action:
Hackers, viruses, and spyware	
Making online purchases	
Stealing account passwords	
Use of personal information	
Stolen credit card numbers or account information	

Matching

indicate which federal credit law is directed at the action described by each statement.

- | | | |
|---------------------------------|---------------------------------------|--------------------------------|
| A. Truth-in-Lending Act | D. Fair Credit Billing Act | G. Financial Modernization Act |
| B. Equal Credit Opportunity Act | E. Fair Debt Collection Practices Act | |
| C. Fair Credit Reporting Act | F. Right to Financial Privacy Act | |

- _____ 1. Imposes requirements on financial institutions for communicating with customers prior to release of personal information.
- _____ 2. Developed to increase the accuracy and privacy of information collected by credit reporting companies.
- _____ 3. Includes the Safeguards Rule, which requires all financial institutions to maintain safeguards to protect customer information.
- _____ 4. Designed to promote the informed use of credit and encourage consumers to compare the cost of cash versus credit as well as to shop for the least expensive credit.
- _____ 5. Prohibits discrimination against credit applicants because of age, sex, marital status, religion, race, color, national origin, or receipt of public assistance.
- _____ 6. Prohibits unfair, deceptive, or abusive practices when dealing with people who have overdue accounts.
- _____ 7. Deals with mistakes in credit bills sent to consumers.

10. An advantage of using a credit card system for accepting credit is
- a. there is no cost to the business when accepting credit cards
 - b. the business receives its money before the customer actually makes payment to the credit card company
 - c. no record of the transaction is required
 - d. the business can accept any credit card the customer is carrying
-

TEAMWORK

11. Develop a list of businesses that you use regularly that accept credit as a form of payment. Now make another list of businesses that require cash. Which list is longer? What differences do you see in the products and services sold by the businesses in the two lists? Discuss why so many businesses accept credit as a form of payment.

THINK CRITICALLY

Email or share your responses; 2 sentences each.

1. What are the three important decisions to be made when developing a company's credit policy?
2. How should a business decide if it should accept the discount terms of trade credit rather than waiting to pay at the end of the period?
3. Which of the following is not one of the 4 C's of customer credit? _____
 - a. character
 - b. capacity
 - c. commission
 - d. collateral
4. The value of products and services that have been sold but for which payment has not been received are a company's _____
 - a. assets
 - b. accounts receivable
 - c. liabilities
 - d. accounts payable
5. True or False? _____ Credit standards are the guidelines used by a company to determine if a customer is eligible for credit.
6. Which of the following is not one of the 4 C's of credit? _____
 - a. character
 - b. collateral
 - c. commitment
 - d. conditions
7. Trade credit is an example of _____
 - a. supplier financing
 - b. bank financing
 - c. factoring
 - d. commercial paper
8. True or False? _____ A loan with simple interest is more expensive than one with compound interest since simple interest is calculated more frequently.

TEAMWORK

9. Let's say you are responsible for preparing a credit policy for a consumer electronics store that sells everything from headphones and cords, to expensive stereos, televisions, and home theater equipment. Discuss how the company will answer the three important questions that make up a credit policy and then decide on a credit policy the company should follow.

THINK CRITICALLY

Email or share your responses; 2 sentences each.

1. What can be done before credit is offered to a customer to increase the chances that accounts will be paid on time?
 2. Identify the major federal credit laws and the primary purpose of each.
 3. A credit account that has not been paid by the designated date according to the credit terms is _____.
 - a. an old account
 - b. a worthless account
 - c. a delinquent account
 - d. a current account
 4. True or False? _____ Collection procedures are not a part of credit procedures, so they should be developed after a customer establishes credit.
 5. True or False? _____ A primary goal of collection procedures should be to retain the customer.
 6. The federal law that is designed to promote the informed use of credit and encourage consumers to understand the cost of credit is the _____.
 - a. Truth in Lending Act
 - b. Equal Credit Opportunity Act
 - c. Fair Credit Reporting Act
 - d. Fair Credit Billing Act
 7. True or False? _____ The Financial Modernization Act was written to require financial institutions to protect the privacy and security of customer information.
-

TEAMWORK

8. Write the script for a brief call from the collections department to a customer who has an account that is overdue by 40 days. The call should be persuasive to convince the customer to pay the account as quickly as possible while keeping their goodwill. Do you think that your strategy would be effective?