THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. What is the difference between consumer credit and trade credit?

2. Does a business have to offer credit to every customer? Why or why not?

- 3. _____ is an agreement in which a borrower receives something of value in exchange for a promise to repay the lender at a later date.
 - a. profit
 - b. a payment
 - c. credit
 - d. a contract
- 4. The recipient of credit is known as the _____
 - a. creditor
 - b. customer
 - c. debtor
 - d. payee
- 5. True or False? _____ Most businesses today have little choice about whether to offer credit.
- 6. True or False? _____ Accounts receivable can include both consumer accounts and business accounts.
- 7. Visa and MasterCard are examples of a _____ credit plan.
 - a. self-managed
 - b. contracted
 - c. no-cost
 - d. none of the above
- 8. When a business makes a sale on credit, the information is recorded in the seller's financial records as
 - a. an account payable
 - b. a liability
 - c. an account rece ivable
 - d. a long-term asset
- 9. A company can transfer the risks of managing a credit plan by using
 - a. a self-managed credit plan
 - b. a contracted plan
 - c. a collection procedure
 - d. all are correct

- 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

Discuss in pairs or small groups and then write your conclusions below.

11. Develop a list of businesses that you and other team members 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 cred it as a form of payment.