

### THINK CRITICALLY

*Handwrite your responses in the space below; 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.

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### TEAMWORK

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

9. Your team is responsible for preparing a credit policy for a consumer electronics store that sells everything from CDs, MP3 players, and headphones 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 agree on a credit policy the company should follow.