

THINK CRITICALLY

Handwrite your responses in the space below; 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.
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TEAMWORK

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

8. Work with a team member to role-play a 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. Share your strategy and whether it was effective.

AGING ACCOUNTS RECEIVABLE

Partine Partners has a credit policy of net 30 days. The current status of credit accounts is shown in the following table. Complete the Aging of Accounts analysis for the company by calculating the total and percentage of total for each account and each aging category.

Partine Partners							
Age of Accounts Receivable							
Account	0–30 days	31–60 days	61–90 days	91–120 days	over 120 days	Account Total	% of Total Receivables
J. Ahrens	\$120	\$240		\$60			
L. Coleell				\$1,080	\$690		
M. Firstall	\$458			\$65			
P. Jacobs	\$220	\$368	\$190				
B. Monez					\$850		
K. Pierelli		\$900					
J.Thomas	\$18	\$568	\$25		\$110		
A. Vartok	\$2,451						
Age Total						\$8,413	100.00%
% of Total Receivables						100.00%	

Analyze the Aging of Accounts data and answer the following questions:

- Which individual account presents the greatest problem for Partine Partners?
- Which individual account appears to be the best credit customer?
- Do you believe Partine Partners has an effective credit collection policy and procedures or not? Why?
- What advice would you give Partine Partners to improve their accounts receivable?