

## Syllabus

### Advanced Credit Policy (On-line - NACM Credit Learning Center)

**Purpose and Learning Objectives** - This is an advanced course in the analysis and formulation of credit policy, including policies regarding credit investigation, terms of sale, credit-granting, and credit limits. It is intended for experienced people (typically Directors of Credit or similar positions) who must make and enforce credit policy. It is not an introductory course.

**Text** - The basic text is Frederick C. Scherr, *Making Sound Credit Policy Decisions*, NACM, 1996. You should also have *Principles of Business Credit*, sixth edition, NACM, 2009 available for reference. Earlier editions of this book can also be used, but the lectures refer to the sixth edition.

**Format** - This is an on-line self-paced course. You will study the text and view the modules, which are composed of power point slides and an audio track. The modules explain, discuss and expand on the material in the text. Lectures are by Dr. Frederick C. Scherr, Professor of Finance (Emeritus), West Virginia University.

#### Modules:

Module Number	Assignments
1	<ol style="list-style-type: none"><li>1. Read chapters 1, 2, and 3 of the text.</li><li>2. View Module 1, which covers Chapters 1, 2, and 3 of the text. The major emphasis in this section is credit-granting policy. Pause the module.</li><li>3. Review Chapters 1, 2, and 3.</li><li>4. Do "The Case of the Meritorious Molder" (pages 67-68 of the text)</li><li>5. Review the remaining portion of Module 1.</li><li>6. Take Test #1 at the end of this module.</li></ol>
2	<ol style="list-style-type: none"><li>1. Read Chapters 4, 6, and 7.</li><li>2. View Module 2, which covers Chapters 4, 6, and 7 of the text. The major emphasis in this section is terms of sale policy. Pause the module.</li><li>3. Review Chapters 4, 6, and 7.</li></ol>

4. Do "The Case of the Tenuous Terms" (pages 144-145 of the text).
5. View the remaining portion of the module.
6. Take Test #2 at the end of this module.

3

1. Read Chapters 5, 8, and 9.
2. View Module 3, which covers Chapters 5, 8, and 9 of the text. The major emphasis in this section is monitoring the effects of credit policy. Pause the module.
3. Review Chapters 5, 8, and 9.
4. Do "The Case of the Dubious DSO" (pages 169-170 of the text) including question number 3 which is on page 3 of this syllabus.
5. View the remaining portion of Module 3.
6. Take Test #3 at the end of this module.

**Assessment** - You must take and pass the three tests, one per module. Testing is online via the NACM's educational website. Questions may be multiple choice or true/false. Questions may be taken from the assigned reading, the lecture, or the case problem assignment for that module. There are 10 questions on each test and you must get 7 correct. You can take each test twice.

**For the Dubious DSO Case** (Chapter 8)

3. Assume that Intergalactic (the seller in this case) decides on these budgeted targets for SWDSO for each division. Comment on the levels of SWDSO for the two divisions relative to these budgeted figures. Do a variance analysis of balances for the Zefod division at the end of the second quarter of 1995 (the final quarter of the case).

Budgeted RROs by Division:

	Zefod	Prefect
Current Month	0.37	0.97
Prior Month	0.15	0.60
Second Prior Month	0.05	0.30
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Sum	0.57	1.87
Budgeted SWDSO	17.1	56.1

Budgeted Sales for Zefod Division (thousands):

June	\$13,000
May	\$13,000
April	\$11,000

Note: the currency figures in table 8-1C on page 169 are in rounded thousands of dollars, not millions of dollars.

**Known errata in the Decisions text** (all errors are in the tables; the excel files are correct; all the following errata are also reviewed in the lectures; errors may appear in earlier printings of the text but not in later printings)

Table 4-3 page 78. The figures \$328 and \$4,800 should appear at the bottom of the right-hand column, the column labeled "Estimate with Guarantee", and the figures \$703 and \$4,025 should appear at the bottom of the column labeled "Estimate no guarantee".

Table 4-4 page 78. The total for the left-hand column should be \$4,025 and the total for the right-hand column should be \$5,939.

Table 8-1 page 149. In the lines for "Collections from the prior month at discount" in panel A and "Collections from the second prior month at net" in panel B, the figures are one column too far to the left; they should start in the January column. In the May column of panel A, the fourth number down should be \$0.023, not \$0.23.

Table 8-2 page 152. In the lines for "Collections from the prior month at discount" in panel A and "Collections from the second prior month at net" in panel B, the figures are one column too far to the left; they should start in the January column. In the May column of panel A, the fourth number down should be \$0.023, not \$0.23. The 1.00% figure that appears under "Discount Expense as a percent of month's sales" should be that entry for this line for January. The 54.76% in the left-hand column below "implied percent taking the discount" is erroneous and shouldn't be in the table at all. The terms in panel B are 2%10net30 not 2%30net30.