



## **CERTIFIED CREDIT EXECUTIVE 2018 MOCK EXAMINATION**

This document has been prepared as a guide of what to expect with the full 3 hour examination. While all efforts have been taken to align this with the live exam there may be significant variation in scoring and structures of the actual exam.

PLEASE COMPLETE THE FOLLOWING	
Name	
Email	
Company Name	
Your Position	
Postal Address	
Date	

The submission of this assessment is my declaration that this assessment is my own work unless otherwise acknowledged by referencing,

I acknowledge that the assessor of this assignment may, for the purpose of assessing this assignment:

- Reproduce part or all of this assessment and provide a copy to another member of the Australian Institute of Credit Management Learning Services team and/or
- Submit the assessment of plagiarism checking

**Signed :** .....

**Date:** .....

## GENERAL INFORMATION

Assessment Time Allow 1 Hour / 60 Minutes, to provide a reasonable approximation to the live exam

Please use a blue / black pen

The assessment consists of four (4) sections:

Section 1	10 x Multiple Choice Questions	0.5 mark each	5 Marks
Section 2	10 x True or False Questions	1 mark each	10 Marks
Section 3	5 x Short Answer Questions	1 mark each	5 Marks
Section 4	3 x Hypothetical - What Would You Do? Questions	30 Marks each	90 Marks

Total Marks 110 Marks

Passing Grade 70 Marks

If the space provided is not sufficient please request additional pages and ensure that you complete the identification details (Name & Question #) in the box at the top of any additional pages.

You will NOT be deducted marks for any spelling, grammar errors etc BUT your responses should be clearly written and demonstrate the required knowledge and understanding of the principles in the question.

### **CONFIDENTIALITY & PRIVACY**

The AICM is committed to upholding the provisions of the *Privacy Act 1988 (Cth)*, and respects the confidentiality of its students, their employers, clients and colleagues.

The candidate must ensure that any references to actual persons or organisations are removed prior to submission. The Candidate may create a fictitious person or company name, or blank out name and address details from existing documents.

# SECTION # 1

## MULTIPLE CHOICE QUESTIONS

**10 Questions**

**0.5 Marks Each**

**5 Marks for the Section**

**NOTE - Unless otherwise indicated CIRCLE only one answer for each question.**

### QUESTION 1

EFT stands for?

- (A) Electronic Finance Trade
- (B) Electronic Financial Transfer
- (C) Electronic Funds Transfer
- (D) Electrical Finance Trading

### QUESTION 2

The term 'ASIC' is an abbreviation for:

- (A) Australian Securities and Investment Commission
- (B) Australian Security and Investigation Committee
- (C) Australia Securities and Investment Commission
- (D) Australian Security and Investment Commission

### QUESTION 3

If a cheque is dated 30<sup>th</sup> June 2017 when is it considered to be "stale"?

- (A) 1<sup>st</sup> January 2018
- (B) 1<sup>st</sup> April 2018
- (C) 1<sup>st</sup> July 2018
- (D) 1<sup>st</sup> October 2018

### QUESTION 4

The term "Net 30 Days" means:

- (A) Thirty days from receipt of goods
- (B) Thirty days from date of invoice
- (C) Thirty days from date of statement
- (D) All of the above

### QUESTION 5

The gross profit margin ratio is:

- (A) Gross income divided by net revenue
- (B) Gross profit divided by gross revenue
- (C) Gross sales divided by gross profit
- (D) Gross profit divided by net revenue

### QUESTION 6

Current liabilities are liabilities that must be paid within:

- (A) One month
- (B) Three months
- (C) Six months
- (D) Twelve months

### QUESTION 8

A "Limited" company is:

- (A) A small company i.e. less than 10 employees and \$2M pa in turnover
- (B) A public company which may or may not be listed on the Australian Stock Exchange
- (C) The company is unable to issue shares
- (D) Only able to carry on business in a specific State or Territory

### QUESTION 9

The PPSR is administered by?

- (A) Australian Securities and Investments Commission (ASIC)
- (B) Australian Financial Security Authority (AFSA)
- (C) Australian Competition and Consumer Commission (ACCC)
- (D) Australian Taxation Office (ATO)

### QUESTION 10

After serving a Bankruptcy notice how long does the person have to respond to the notice before it is presumed that the person has committed an act of Bankruptcy?:

- (A) 14 Days
- (B) 21 Days
- (C) 28 Days
- (D) 30 Days

# **SECTION # 2**

## **TRUE OR FALSE QUESTIONS**

**10 Questions**

**1 Mark Each**

**10 Marks for the Section**

**TICK the correct answer**

### QUESTION 1

If supplying a partnership operating as a registered business name you must ensure that you register your PPSR security interest against the business ABN # ?

True

False

### QUESTION 2

You must wait 28 days after the service of a 459E Statutory Demand before you can apply for a company to be placed into liquidation.

True

False

### QUESTION 3

If personal information held in your company records or files is incorrect you are required by law to correct the information?

True

False

### QUESTION 4

With leave of the Court you can use social media e.g. Facebook to serve a Bankruptcy Notice on a debtor?

True

False

### QUESTION 5

When a bankrupt is discharged the fact that they were declared bankrupt will be removed from their file with a Credit Reporting Agency after five years.

True

False

### QUESTION 6

After being declared bankrupt all debts including Child Support, HELP/HECS, traffic and other debts incurred after bankruptcy begins are automatically discharged.

- True
- False

### QUESTION 8

Incorporated associations are required to be registered with the Australian Securities and Investments Commission (ASIC)?

- True
- False

### QUESTION 9

Limited by guarantee companies are formed on the principle that the liability of members is limited to the amount they agree to contribute in the event the company is wound up?

- True
- False

### QUESTION 10

A Bankruptcy Notice can only be served on the Debtor in person.

- True
- False



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# **SECTION # 3**

## **SHORT FORM QUESTIONS**

**5 Questions**

**1 Mark for each question**

**5 Marks for the Section**

**QUESTION 1**

What is the difference between a “General” and a “Limited” Partnership?

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**QUESTION 2**

Why is it good practice to inform the guarantors to a company’s debt that you have increased a company’s credit limit and overall exposure?

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**QUESTION 3**

What is the difference between Administration and Liquidation?

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**QUESTION 4**

How will the New Payments Platform meet the evolving demands of the digital business economy?:

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**QUESTION 5**

Why is it advisable (and good practice) to obtain a written request from a customer prior to increasing their approved credit limit.

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# SECTION # 4

## HYPOTHETICAL QUESTIONS

### WHAT WOULD YOU DO?

3 Questions

30 Marks for each Question

90 Marks for the section

Answers can be in bullet point format clearly setting out “What Would You Do?”

Question # 1 - *Withdrawal of a Director’s Personal Guarantee*

Question # 2 – *Change in a customer’s legal entity – Pty Ltd to a Trust*

Question # 3 – *Request to remove a PPSR registration*

#### **NOTE:**

**Your answer(s) should be based on the “BEST PRACTICE” principle. i.e. what YOU think, understand, or believe should be the correct process to follow NOT necessarily what your current employer’s process is.**

**QUESTION # 1 – *Withdrawal of a Personal Guarantee***

You return from annual leave on the 10<sup>th</sup> March 2018 and find a letter (next page) dated 21<sup>st</sup> February 2018 from a Director and Guarantor of your customer Crowe Productions Pty Ltd in your in tray. The original of the letter has been stamped by an employee as “received” on the 22<sup>nd</sup> February 2018.

Also on your desk is a copy of an email, dated the 21<sup>st</sup> February 2018, from the same Director/Guarantor with a copy of the letter attached. As indicated in the notes at the bottom of the letter it is obvious that the Director/Guarantor had sent the Email and letter to your company’s Credit Department Generic Email address and posted the original to your postal address.

You check your ATB and find that your company is owed \$2,213,987.00 for January, February and March invoices aged as follows:

Jan’18	\$ 22,857.00	Due 28 <sup>th</sup> February
Feb’18	\$ 1,550.00	Due 31 <sup>st</sup> March
Mar’18	\$2,209,580.00	Due 30 <sup>th</sup> April
TOTAL	\$2,213,987.00	

You have credit insurance endorsement for \$5,000,000

WHAT WOULD YOU DO? (Bullet Points are Acceptable)

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**QUESTION # 1 – *Withdrawal of a Directors Personal Guarantee***

Russell Crowe  
23 Amalfi Drive  
SYDNEY NSW 2000

21<sup>st</sup> February 2018

The Manager,  
Williams & Son Pty Ltd  
198 Pitt Street  
SYDNEY NSW 2000

Attn: Credit Manager

RE: CROWE PRODUCTIONS PTY LTD  
RESIGNATION AS DIRECTOR & WITHDRAWAL OF PERSONAL GUARANTEE

Dear Sir/Madam,

Our recent movie failed to recover the costs of its production. As this is the third movie of ours that has flopped, I have decided it is time to get out of the acting and movie making profession and try my hand at something new perhaps better suited to my knowledge and experience. I have recently applied for and been accepted to become an Uber Eats Delivery Driver.

I have resigned as a Director of Crowe Productions Pty Limited and sold my interest and shares in the company to Mr Tom Cruise. Settlement of the transfer of my interest and shares will take effect from the close of business on the 28<sup>th</sup> February 2018.

I hereby withdraw my previously issued personal guarantee dated the 01/04/07 covering the debts of the above company effective close of business 28<sup>th</sup> February 2018.

Could you please confirm receipt of this letter and acknowledge that my obligations under that guarantee has been discharged?

Yours Sincerely,

*Russell Crowe*

Original Posted: 21<sup>st</sup> February 2018 – Australia Post Express Overnight Parcel Ref # 12365489  
Copy sent 21<sup>st</sup> February 2018 via Email to: [credit.department@williamsson.com.au](mailto:credit.department@williamsson.com.au)



**QUESTION # 2 - Change in Customer's Legal Entity**

You have received a letter (next page) dated the 10<sup>th</sup> March 2018 from one of your customers advising that they have changed their business structure to now operating under a Trust structure.

The customer has conducted their account with you as a Pty Limited company for over 15 years and has an approved credit limit of \$5,000,000. You hold LIMITED personal guarantees (\$3,000,000 each) from two active Directors

Mr Geoffrey Rush

Mr Donald Duck

You also have Credit Insurance Endorsement for \$5,000,000

Paid up capital of the company is \$20,000,000

Your company is owed \$2,213,987.00 for January, February and March invoices aged as follows:

Jan'18	\$ 22,857.00	Due 28 <sup>th</sup> February
Feb'18	\$ 1,550.00	Due 31 <sup>st</sup> March
Mar'18	\$2,209,580.00	Due 30 <sup>th</sup> April
TOTAL	\$2,213,987.00	

The highest balance was \$4,108,900 in June'15, average monthly sales are around \$515,000 and the account has always been paid 35-40 days on agreed payment terms of Net 30 Days.

Clearly detail the action and steps that you would take upon receipt of the letter.

**WHAT WOULD YOU DO? (Bullet Points are Acceptable)**

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**QUESTION # 2 - Change in Customer's Legal Entity**

Mr Jeffrey Rush  
23 Amalfi Drive  
SYDNEY NSW 2000

10<sup>th</sup> March 2018

The Manager,  
Williams & Son Pty Ltd  
198 Pitt Street  
SYDNEY NSW 2000

Attn: Credit Manager

RE: CROWE PRODUCTIONS PTY LTD - CHANGE IN LEGAL ENTITY

Dear Sir,

We wish to advise that effective from the 1<sup>st</sup> April 2018 on the advice of our tax accountant, we have changed our legal entity from a Pty Ltd company to a Trust company.

The new company is:

G Rush Trust Pty Ltd  
ABN 88 219 521 328

ATF Crowe Productions Pty Ltd  
ACN # 025 761 342  
ABN # 25 025 761 342

Registered Business Address

Mills & Reeve Accountants  
34 Pitt Street  
SYDNEY NSW 2000

Business Address:

23 Amalfi Drive  
SYDNEY NSW 2000

All phone numbers and contact details remain unchanged - could you please update your records.

Yours Sincerely,

*Geoffrey Rush*

Sent - 10<sup>th</sup> March 2018 via Email to: [credit.department@johnsonmechanical.com.au](mailto:credit.department@johnsonmechanical.com.au)

**QUESTION # 3 – Request to remove a PPSR registration**

You have received a letter (next page) dated the 21<sup>st</sup> February 2018 requesting that you discharge the PPSR security registration held by your company over one of your customers.

The customer has conducted their account with you as a Pty Limited company for over 15 years and has an approved credit limit of \$5,000,000. You hold LIMITED personal guarantees (\$2,000,000 each) from three active Directors

Mr Geoffrey Rush

Mr Donald Duck

Mr Tom Cruise

You have Credit Insurance Endorsement for \$5,000,000

Paid up capital of the company is \$20,000,000

Your company is currently owed \$2,209,580 being for February invoices.

Clearly detail the action and steps that you would take upon receipt of the letter.

**WHAT WOULD YOU DO?          (Bullet Points are Acceptable)**

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**QUESTION # 3 – Request to remove a PPSR registration**

Mills & Reeve  
Accountants  
Chartered Accountants  
34 Pitt Street  
SYDNEY NSW 2000

21<sup>st</sup> February 2018

The Manager,  
Williams & Son Pty Ltd  
198 Pitt Street  
SYDNEY NSW 2000

RE: CROWE PRODUCTIONS PTY LTD  
DISCHARGE OF PPSR REGISTRATION

Dear Sir,

We wish to advise that the above company is in the process of being sold and we expect settlement of the sale to take place on the 1<sup>st</sup> April 2018.

According to our investigations we have ascertained that you have a PPSR registered security interest:

01/12/2007      PPSR Ref # 20071201009875      Williams & Sons Pty Ltd

To enable us to proceed with the sale of the company and settlement on the 1<sup>st</sup> April 2018 could you please advise the current debt owed to you by Crowe Productions Pty Ltd and the ageing and due dates for payment of the debt.

We also ask that you arrange for the discharge of the security registration and forward a copy of the discharge document to this office.

Yours Sincerely,

*Peter Mills*

Senior Partner – Mills & Reeve

## SECTION # 1

### MULTIPLE CHOICE ANSWERS

QUESTION 1	C - Electronic Funds Transfer
QUESTION 2	A - Australian Securities and Investment Commission
QUESTION 3	D - 1st October 2018
QUESTION 4	B - Thirty days from date of invoice
QUESTION 5	B - Gross profit divided by gross revenue
QUESTION 6	D - Twelve months
QUESTION 8	B - A public company which may or may not be listed on the Australian Stock Exchange
QUESTION 9	B- Australian Financial Security Authority (AFSA)
QUESTION 10	B - 21 Days

## SECTION # 2

### TRUE OR FALSE ANSWERS

QUESTION 1	True
QUESTION 2	False
QUESTION 3	True
QUESTION 4	True
QUESTION 5	True
QUESTION 6	False
QUESTION 8	True
QUESTION 9	True
QUESTION 10	False

# SECTION # 3

## SHORT FORM ANSWERS

(Elements of correct answers in blue)

### QUESTION 1

What is the difference between a “General” and a “Limited” Partnership?

A partnership is made up of two or more people who jointly carry on business with a view to profit.

A general partnership is one where all partners are EQUALLY responsible for the management of the business, and each has unlimited liability for the debts and obligations it may incur.

A limited partnership is one where the liability of one or more partners for the debts and obligations of the business is limited. A limited partnership consists of one or more general partners (whose liability is unlimited) and one or more limited partners.

In a limited partnership:

- the general partners manage the business and have the power to enter binding agreements on behalf of the partnership; their liability for the debts and obligations of the limited partnership is unlimited
- the limited partners are passive investors; they must not manage the business and their liability for its debts and obligations is limited in proportion to the amount they have agreed to contribute to the partnership

### QUESTION 2

Why is it good practice to inform the guarantors to a company’s debt that you have increased a company’s credit limit and overall exposure?

In the case of COMMERCIAL credit whilst there is no legal obligation to inform the guarantor(s) of any increase in the credit limit of a company or business, there have been several cases where a guarantor has challenged their obligations/liabilities under their guarantee

*Australian Regional Wholesalers Pty Ltd v Gardiner* [2014] WASC 439).

Whilst the Court rejected the defence in that case it would be good practice to inform a guarantor, especially if the guarantor is not involved in the day to day management of the company or business, of any increase in the company credit limit/exposure thereby removing the likelihood of any possible defense being raised should the company or business subsequently fail and recover action taken against the guarantor.

ALSO, the National Credit Code (NCC) which covers CONSUMER credit, provides that the amount secured under the guarantee cannot be increased unless:

- The guarantor is provided a copy of the proposed loan contract; and
- The guarantor has agreed to the increase in the loan (or the new loan)

In view of this and the likelihood of the NCC principles at some later date being amended to cover COMMERCIAL credit providers it would be good practice to adopt the policy of informing a guarantor(s) of any increase in the previously approved credit limit of a company or business.

### QUESTION 3

What is the difference between Administration and Liquidation?

The primary difference between the two procedures is that company administration aims to help the company restructure/refinance and by doing so repay its debts to escape insolvency (if possible) whereas liquidation is the process of selling all assets before dissolving the company completely.

### QUESTION 4

How will the New Payments Platform meet the evolving demands of the digital business economy?:

- Basic infrastructure
- Fast settlement service
- Overlay services

These components will meet the demands of the digital business economy by enabling transaction accounts to be identified by an easy to recall identifier (e.g. email or phone), enabling payments to be settled in real time and providing payments related services or products that will breathe life into innovation and competition.

### QUESTION 5

Why is it advisable (and good practice) to obtain a written request from a customer prior to increasing their approved credit limit.

As with Question 2 whilst there is no obligation or requirement to obtain a written request to increase the credit limit of a company or business to do so will remove the likelihood of a future challenge or claim that the increase in overall debt/exposure resulted or contributed to the subsequent collapse of the company or business. It would remove the chance of a claim if the decision to increase the credit limit was at the specific request of the customer.

# SECTION # 4

## HYPOTHETICAL WHAT WOULD YOU DO?

### ANSWERS

(Elements of correct answers in blue)

#### QUESTION # 1 – *Withdrawal of a Personal Guarantee*

You return from annual leave on the 10<sup>th</sup> March and find a letter (next page) dated 21<sup>st</sup> February 2018 from a Director and Guarantor of your customer Crowe Productions Pty Ltd in your in tray. The original of the letter has been stamped by an employee as “received” on the 22<sup>nd</sup> February 2018.

Also on your desk is a copy of an email, dated the 21<sup>st</sup> February 2018, from the same Director/Guarantor with a copy of the letter attached. As indicated in the notes at the bottom of the letter it is obvious that the Director/Guarantor had sent the Email and letter to your company’s Credit Department Generic Email address and posted the original to your postal address.

You check your ATB and find that your company is owed \$2,213,987.00 for January, February and March invoices aged as follows:

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Mar’18	\$2,209,580.00	Due 30 <sup>th</sup> April
<b>TOTAL</b>	<b>\$2,213,987.00</b>	

You have credit insurance endorsement for \$5,000,000

WHAT WOULD YOU DO? (Bullet Points are Acceptable)

- Acknowledge receipt of the letter and advise the current debt and ageing of the account.
- Confirm that the guarantor’s liability under their personal guarantee is withdrawn or void for all debts incurred after 28th February 2018,
- Remind the guarantor (Mr Crowe) that he is still personally liable for debts up to and including 28th February 2018,
- Write or inform the company and the other Directors that one of the guarantors has withdrawn their guarantee,
- Obtain a new credit application form from the company together with new personal guarantee(s) especially from the new Director (Mr Tom Cruise)
- Carry out a full credit investigation into the company and Directors
- As it is most likely a condition of any credit insurance endorsement that you must hold signed personal guarantees from the Directors inform the Credit Insurance underwriter that there has been a change,
- Follow for payment of the Jan & Feb’18 accounts and confirm to the guarantor when they are paid, and his guarantee is fully withdrawn,



- Investigate why in your absence your team failed to action the letter upon receipt and ensure that problem doesn't happen again!

### **QUESTION # 2 - *Change in Customer's Legal Entity***

You have received a letter (next page) dated the 10<sup>th</sup> March 2018 from one of your customers advising that they have changed their business structure to now operating under a Trust structure.

The customer has conducted their account with you as a Pty Limited company for over 15 years and has an approved credit limit of \$5,000,000. You hold LIMITED personal guarantees (\$3,000,000 each) from two active Directors

Mr Geoffrey Rush

Mr Donald Duck

You also have Credit Insurance Endorsement for \$5,000,000

Paid up capital of the company is \$20,000,000

Your company is owed \$2,213,987.00 for January, February and March invoices aged as follows:

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<b>TOTAL</b>	<b>\$2,213,987.00</b>	

The highest balance was \$4,108,900 in June'15, average monthly sales are around \$515,000 and the account has always been paid 35-40 days on agreed payment terms of Net 30 Days.

Clearly detail the action and steps that you would take upon receipt of the letter.

### **WHAT WOULD YOU DO? (Bullet Points are Acceptable)**

- If the existing account has an outstanding debt ascertain if the customer is happy to continue using the existing account or requires a new account to be opened,
- Obtain a new credit application form and complete a credit review,
- Confirm details (ABN etc) of the Trust,
- Confirm details of the Trustee (individual or coporate) and potentially ask for a copy of the trust Deed
- Request personal guarantee from trustee (if possible),
- Register a PPSR security interest against the Trust,
- If Credit Insurance endorsement is held advise the underwriter and obtain new endorsement reflecting the change in the legal entity,
- Update details including ABN # in your computer system,
- Write to the customer and confirm the changes have been made,

### **QUESTION # 3 – Request to remove a PPSR registration**

You have received a letter (next page) dated the 21<sup>st</sup> February 2018 requesting that you discharge the PPSR security registration held by your company over one of your customers.

The customer has conducted their account with you as a Pty Limited company for over 15 years and has an approved credit limit of \$5,000,000. You hold LIMITED personal guarantees (\$2,000,000 each) from three active Directors

Mr Geoffrey Rush

Mr Donald Duck

Mr Tom Cruise

You have Credit Insurance Endorsement for \$5,000,000

Paid up capital of the company is \$20,000,000

Your company is currently owed \$2,209,580 being for February invoices.

Clearly detail the action and steps that you would take upon receipt of the letter.

#### **WHAT WOULD YOU DO? (Bullet Points are Acceptable)**

- Acknowledge receipt of the letter,
- Advise the total debt and ageing,
- Confirm that when the debt owing is paid in full and cleared the PPSR security interest will be discharged,
- Ascertain if there will be ongoing trading until the business is sold and settlement takes place,
- If there is then instruct the Accountant to obtain payout closer to the date of settlement,
- Diary to follow up re payment and if paid discharge the PPSR registration and forward a copy of the discharge to the customer's accountant,
- In need place the account on STOP CREDIT or reduce the credit limit to \$1.00 so orders will not be released automatically but must be referred to the Credit Dept. to be checked and then released,