



**PENINSULA**  
**COLLEGE**  
GEORGETOWN DK266-03(P)



**UNIVERSITY OF**  
**PLYMOUTH**

## FINAL EXAMINATION

Semester	:	<b>JANUARY 2026 SEMESTER</b>
Programme Name	:	<b>BA (HONOURS) ACCOUNTING &amp; FINANCE 3+0 IN COLLABORATION WITH UNIVERSITY OF PLYMOUTH</b>
Course Code & Name	:	<b>MAL3043 CREDIT MANAGEMENT: THEORY AND PRACTICE</b>
Duration	:	<b>3 HOURS</b>

### INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY**.
2. The question paper consists of **FOUR (4)** questions.
3. Answer **ALL** questions in the question paper.
4. Answers to the questions are to be written into the examination booklet.
5. Electronic dictionaries, lecture notes, files or any unauthorised materials except writing equipment are strictly prohibited.

This question paper must be submitted along with all used and/or unused rough papers and/ or graph papers (if any). Candidates are **NOT ALLOWED** to take any examination paper(s) used or unused out of the examination hall.

### WARNING:

The Examination Board of Peninsula College Georgetown regards cheating as a very serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in the accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from Peninsula College Georgetown.

*(This booklet contains 3 printed pages including this page)*

**DO NOT OPEN THIS BOOKLET UNTIL YOU ARE ALLOWED TO DO SO**

Answer **ALL** questions on the separate sheet provided.

[50 MARKS]

1. Orion Supplies Sdn. Bhd. is reviewing its cash collection targets because its working capital efficiency has been weaker than that of its competitors. The performance of the credit management department is measured using Days Sales Outstanding (DSO), and bonuses are linked to collection performance. As a result, the credit team is motivated to reduce the DSO, as 50% of their responsibilities involve debt collection activities.

You have recently joined Orion Supplies Sdn. Bhd. as a trainee credit analyst, and the finance manager has asked you to review the company's cash collection targets. Your first task is to understand how the company forecasts its accounts receivable levels in terms of debtor days and monetary values. You are then required to determine a target DSO and the amount of cash that must be collected to achieve this target.

You have been given the following information for the month of June and are asked to prepare a forecast for the following month.

Accounts receivable as at 30 June	RM'00 0	RM'00 0
<b>Sales:</b>		5,200
June	2,400	
May	2,150	
April	1,980	
<b>Budgeted Sales:</b>		
July	2,300	
August	2,150	
September	2,450	

**Required:**

- a) Calculate the **DSO as of 30 June using the Adding-Back Method**. Show your calculations and briefly comment on the results. (8 marks)
- b) Calculate the amount of money the department would need to collect in July to achieve a forecast DSO of 60 days. Assume **each month consists of 30 days** and show your workings. (10 marks)
- c) Discuss additional measures the company could use to monitor and improve the performance of the credit department. (7 marks)

Total: [25 marks]

2. Critically discuss the strategies available to organization's for managing debt effectively during times of economic and political crisis. (25 marks)

Total: [25 marks]

3. Three companies have adopted different approaches to extending credit facilities to their customers as follows:

Company A does not give any credit whatsoever and requires payment on delivery (cash on delivery), for which it offers a 1% discount. Company B offers a 30-day credit period and receives payments on time, while Company C offers the same 30-day credit terms, but its customers normally take 90 days to pay. However, Company C charges interest of 12% per annum on late payments.

All three companies have annual sales of £60,000 and a net profit margin (before credit costs) of 5%. The companies finance their operations with money from their overdraft facility at a cost of 12% per annum.

**Required:**

- a) Calculate the net profit for each company. (6 marks)
- b) Calculate a revised profit figure for Company A, if it does not offer any prompt payment discount. (7 marks)
- c) Calculate a revised profit figure for Company C, if it stops charging its customers interest on their late payments. (7 marks)
- d) Comment on your results (original and revised profit) explaining the preferred company. (5 marks)
- Total: [25 marks]

4. Individuals who fail to properly manage or monitor their **credit ratings or credit scores** may face higher borrowing costs and more restrictive terms when applying for loans or other forms of credit.

**Required:**

- a) Critically explain why it is important for individuals to maintain and protect a good **credit rating** when seeking access to credit facilities. (15 marks)
- b) Discuss the measures individuals can take to protect themselves against fraudulent activities that may damage their credit profile. (10 marks)
- Total: [25 marks]

**- END OF QUESTIONS -**