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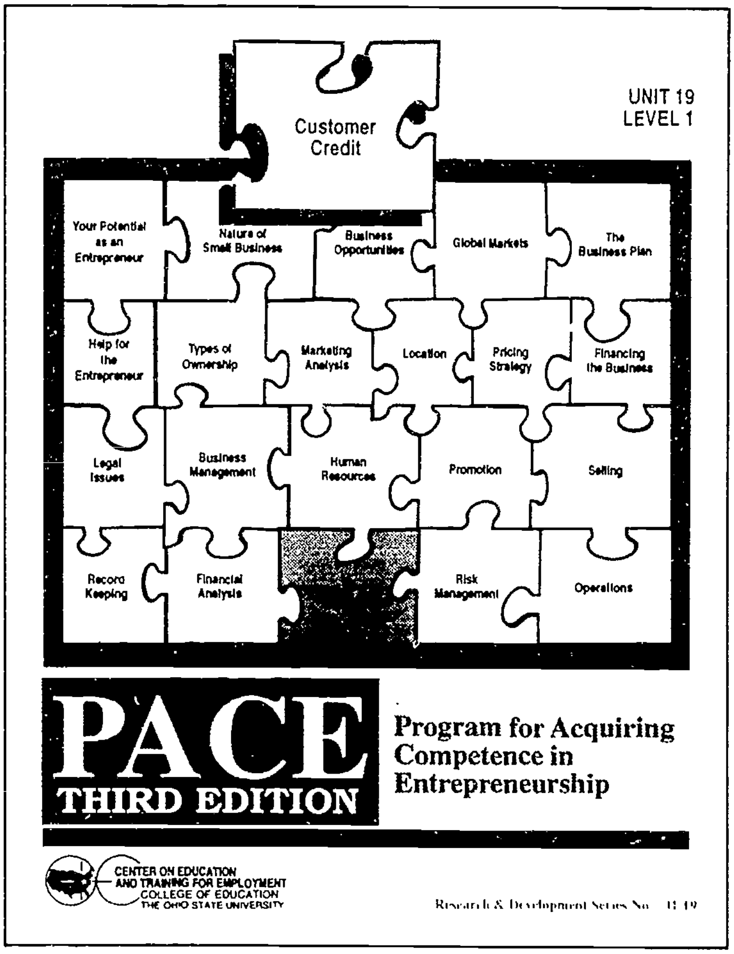
ABSTRACT

This instructor guide for a unit on customer credit in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 1 of learning--understanding the creation and operation of a business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program The student module includes the following: specific objectives, questions supporting the objectives, complete content in the form of answers to the questions, case studies, individual activities, group activities, discussion questions, assessment questions, and list of eight references. Model assessment responses are provided in the instructor materials. These five objectives are addressed: identify the different types of credit; give the reasons for offering customer credit; identify the advantages and disadvantages of customer credit; describe the basic guidelines for evaluating credit applicants; and examine credit collection procedures. (YLB)



INSTRUCTOR GUIDE

Unit 19

Customer Credit

Level 1

Objectives:

- Identify the different types of credit.
- Give the reasons for offering customer credit.
- Identify the advantages and disadvantages of customer credit.
- Describe the basic guidelines for evaluating credit applicants.
- Examine credit collection procedures.

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

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Objectives	Teaching Suggestions
1. IDENTIFY THE DIFFERENT TYPES OF CREDIT	
What types of credit can businesses offer clients?	Define the major types of credit that businesses offer to customers. Have students write definitions on note cards, and suggest they refer to them often. Use simple numerical examples to help students understand the concepts.
2. GIVE THE REASONS FOR OFFERING CUSTOMER CREDIT	
Should a small business offer credit?	Ask students to express their opinions on why businesses should offer credit.
What are some basic credit policy considerations?	Divide the class into two groups. Group I will represent a business with an easy going credit policy; group II will represent a business with a strict credit policy. Have group members present rationale for their group's policy.
What are the reasons for offering credit?	Use a chalkboard or an overhead to list the reasons why businesses offer credit. Start listing the reasons given by students in the above role-playing section.
3. IDENTIFY THE ADVANTAGES AND DISADVANTAGES OF CUSTOMER CREDIT	
What are the advantages and disadvantages of offering customer credit?	Invite a local small business owner to discuss pros and cons of offering credit.
4. DESCRIBE THE BASIC GUIDELINES FOR EVALUATING CREDIT APPLICANTS	
What are some guidelines for evaluating credit applications?	Introduce the three Cs of credit. Use a very simple approach to convey the meaning of character, capacity, and capital when offering credit. Ask students for examples of each.
How can credit information be checked?	Acquaint students with the various means available for checking credit application information. Use handouts with the credit applications you've gathered for this purpose.
How can credit applicants be notified of rejection?	Have students design their own letters of credit denial. Encourage creativity concerning the details of the letter.
5. EXAMINE CREDIT COLLECTION PROCEDURES	
What are credit collection procedures?	Discuss with students the importance of credit collection in business and its downside risk. Briefly introduce the notion of cashflow and its relation to collection.

MODEL ASSESSMENT RESPONSES

1. Advantages of granting credit are: (1) establishing customer loyalty; (2) attracting less price-sensitive credit customers; (3) attracting credit customers who buy more; (4) attracting customers who will pay more for quality; (5) building goodwill through credit policies; and ⁻) smoothing ou the business seasonality.

   Disadvantages of granting credit include: (a) increased cost of goods and services provided by the business; (b) increased risk in the form of uncollected debts; (c) higher costs incurred to support additional accounts receivable personnel.

2. The three Cs of credit are character, capacity and capital. Character is based on the customer' sense of responsibility and promptness in meeting financial obligations. Capacity refers to the customer's ability to earn enough money to meet financial obligations. Capital refers to the physical and financial assets of the applicant. Examples include investments, savings and property which could be sold in an emergency to pay off owned money.

3. Some businesses have an easy going policy which allows all customers to obtain credit quickly. The customer's credit history does not play an important part. At the other extreme, a very strict credit policy will offer credit only to those customers with a reliable financial background.

4. The most common types of credit plans offered by business firms are revolving credit accounts, installment credit, regular credit accounts, budget credit, bank credit cards, and travel and entertainment cards. Revolving credit accounts offer a maximum credit amount and no balance-due time. Installment credit allows a one-time charge with the balance paid in equal installments over a period of time. Regular credit accounts allows customers to buy at any time during a 30-day period. Budget credit does not charge interest if balance is paid in time. Bank credit and travel/entertainment cards may be used by clients at any participating business.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
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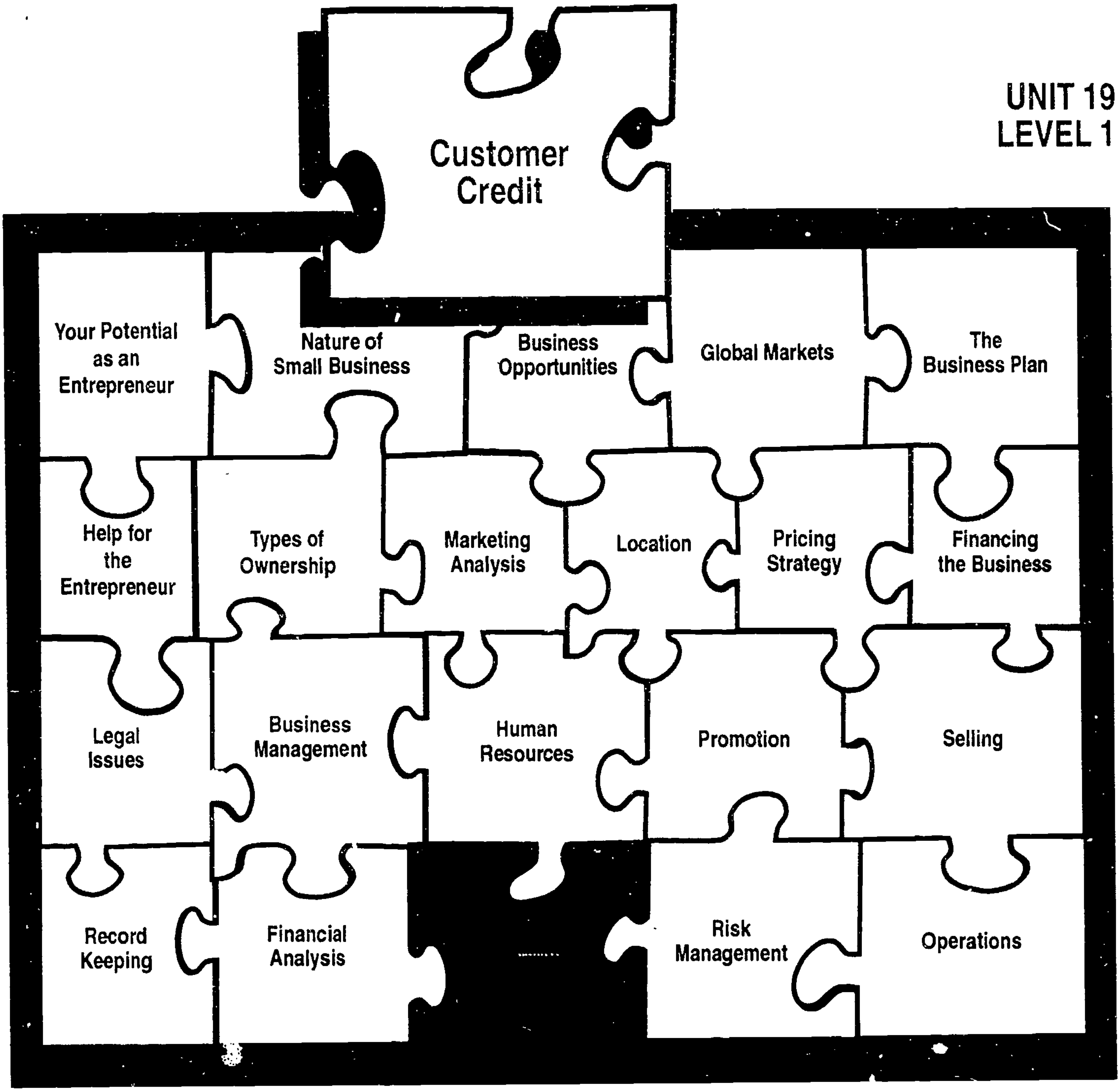
UNIT 19
LEVEL 1



PACE
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CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 301-19

CUSTOMER CREDIT

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide.*

   Capacity
   Capital
   Character
   Cost/benefits of credit
   Credit bureau
   Credit verification
   Direct credit plan
   Revolving credit plan

CUSTOMER CREDIT

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- identify the different types of credit,
- give the reasons for offering customer credit,
- identify the advantages and disadvantages of customer credit,
- describe the basic guidelines for evaluating credit applicants, and
- examine credit collection procedures.

WHAT IS THIS UNIT ABOUT?

Jan French, owner of a small restaurant supply business, is upset. The money that is tied up in credit to her customers has increased considerably during the past month. A lot of her time is spent collecting money from those who are slow in settling their accounts. "I thought that giving credit to people who looked like they could pay would bring me more business," says Jan. "But I am beginning to wonder whether these people will ever pay what they owe. Am I doing the right thing, or should I stop selling goods on credit?"

In another part of town, a clothing retailer is complaining that people never want to pay cash anymore. "In fact, many customers have walked right out of my store when I tell them I don't accept credit cards. They say, 'Why should I pay cash to you? I can go somewhere else and buy all I want on credit.'"

These two scenarios illustrate what this unit is about—managing customer credit and collections. For many customers, "plastic money" and other forms of credit have become a way of life. Wallet-size credit cards are accepted in millions of businesses all over the world. The owner of a small business often must extend credit to customers so that sales will not be lost. At the same time, he or she must avoid ending up with long overdue accounts. Such unpaid accounts will tie up capital and increase your collection costs. The purpose of this unit is to assist in managing customer credit and collection policies and procedures. Specifically, this unit assists in answering the following questions:

- What are the basic types of direct credit plans?
- What are the reasons for offering credit?
- What are the advantages and disadvantages of offering customer credit?
- What are the basic guidelines you can use in evaluating people who apply for credit?
- How can you verify credit information?
- How can you notify credit applicants if you decide not to give them credit?
- What types of credit plans are there?
- What are the basic considerations when establishing credit policies?
- What are credit collection procedures?

SHOULD A SMALL BUSINESS OFFER CREDIT?

There is a certain amount of risk involved when a business decides to offer credit. However, there are some very valid reasons why a small business owner should consider granting credit. The granting of credit can benefit the business by increasing the competitiveness of the business, encouraging customer loyalty, obtaining new customers, and increasing the amount of individual p -chases. All of these benefits have the n effect of increasing sales.

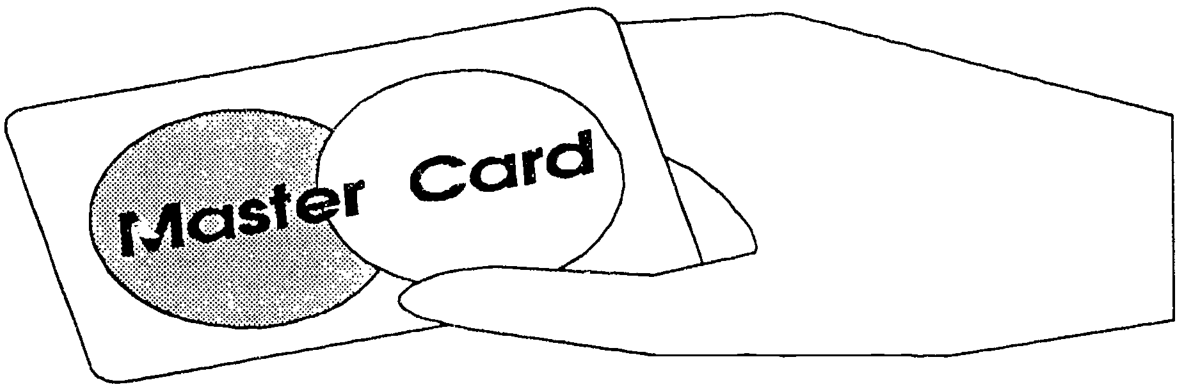
WHAT ARE SOME BASIC CREDIT POLICY CONSIDERATIONS?

There are two policy extremes in granting credit. One is not to grant credit to anyone. The other is to grant all customers unlimited credit. Of course, neither extreme is wise. However, a wide range of credit policies deserves consideration. The range stretches from an easy going credit policy with an easy going collection policy, to giving credit only under strict guidelines and enforcing collection dates very strictly.

An easy going credit policy involves granting credit to people without checking thoroughly to see if they will be able to make payments. In a strict credit policy, a customer's financial background is checked thoroughly before credit is granted.

Collection policies, on the other hand, refer to the method to be used for payment. An easy going collection policy allows people to pay what they owe slowly, and a strict collection policy demands that payments be made on a strict schedule.

The combination of credit policies you choose depends a lot on your type of business. If you own a travel agency, for instance, you have to pay the airlines and



steamship companies promptly. You are involved with large sums of money and small levels of profit, so you can't afford to give credit freely. You must give credit only to people who convince you that they will pay promptly. On the other hand, if you are extending credit for a highly profitable item, you can afford to be much more free.

How easy going your credit policy is also may depend on:

- the policies of your competitors,
- the extent to which your business depends on credit for making enough sales,
- your company's ability to handle having unpaid debts, and
- the time you have available to collect the money you are owed.

WHAT TYPES OF CREDIT CAN BUSINESSES OFFER CLIENTS?

Several types of credit plans are commonly offered by business firms. The most common types are the following:

- **Revolving credit accounts.** A revolving credit account allows a maximum amount of credit which may be used by the customer at any time. There is generally no set time in which the account must be paid in full, however, any unpaid portion may be subject to interest charges based on the outstanding balance.
- **Installment credit.** Installment credit accounts allow a one-time charge with the balance paid in equal installments over a set time period. In most cases, the seller has a claim on the title of the item purchased until all installment payments have been made. Installment credit is often used to purchase very

expensive items such as automobiles and furniture.

- **Regular credit accounts**. Often referred to as open accounts, this type of credit allows users to buy at any time during a 30-day period. At the end of the period, the balance is payable in full.

- **Budget credit**. Often set with payment due every 30 days, these accounts generally do not charge interest if payment is made as scheduled. An example of this type of account is "90 days same as cash."

- **Bank credit cards**. These are credit cards offered by banks which may be used by customers at any participating business. The two most common bank credit cards are MasterCard and VISA. The banks charge the business a small fee for providing this service.

- **Travel and entertainment cards**. This system is much the same as bank cards except that customers must pay the full amount due at the end of each month. Common examples of travel and entertainment cards include American Express and Diners Club.

WHAT ARE THE REASONS FOR OFFERING CREDIT?

Before a business owner decides on credit and collection policies and procedures, it is wise to review the reasons for granting credit. One major reason for granting credit is that about one-third of the nation's retail sales is based on credit. Many businesses, large and small, believe that credit gives them some or all of the following advantages:

- **Charge accounts create customer loyalty**. Retail customers who pay cash tend to shop in a number of stores. People who have charge accounts, though, tend to return to the business where they can use credit.

- **Credit customers may be less price-conscious**. Consumers who have a charge account are less likely to hunt for bargains. They will buy an article because they want it at the moment. Sales to a credit customer, therefore, are often larger than sales to a cash customer.

- **Credit customers buy more freely**. Credit customers like the convenience of saying "charge it" without wondering if they have enough cash to pay for their purchases. They are also open to suggestion on buying related items.

- **Credit may attract customers who will pay more for quality**. If you give credit privileges, you may attract customers who are interested in quality, service, and style rather than those who are interested only in low prices.

- **Credit builds goodwill**. For some customers, the fact that a store has enough confidence in them to grant them credit builds their confidence in the store. In smaller firms, salespeople often know charge customers by name. This is flattering to customers and a way of building goodwill.

- **Credit helps smooth out business peaks.** Credit customers tend to buy things whenever the products and services are available and needed. Peaks and valleys in business are costly, and credit tends to smooth them out.

WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF OFFERING CUSTOMER CREDIT?

Businesses don't offer credit just because they think it is a nice thing to do. Offering credit is very important in the development of a business client base and ultimately in the development of increased sales. Not only is the availability of credit important in the establishment of new customers, but also as a way to encourage new customers to purchase and to foster loyalty among existing customers.

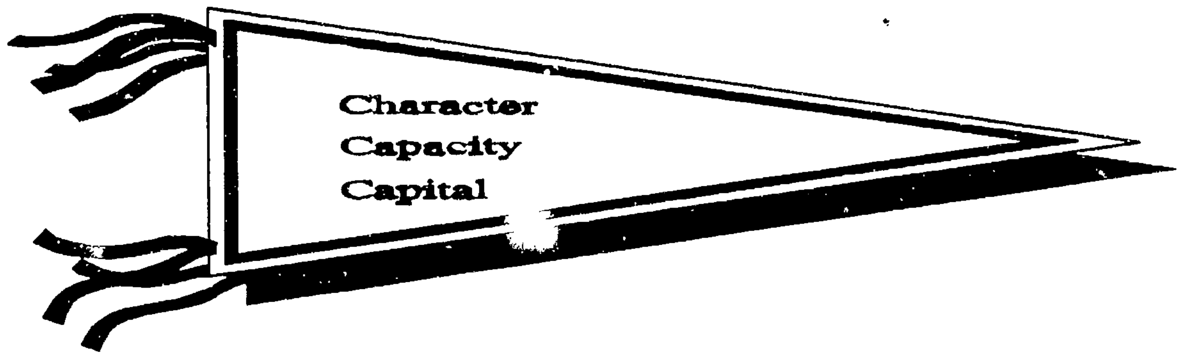
It would seem that at a glance there are only positive reasons why a business should offer credit to its customers. After all, credit encourages customers to buy more, and serves as a vehicle to enhance customer loyalty. Why then would a business not want to offer credit?

Offering credit to customers can increase the cost of goods and services provided by the business. Some of these disadvantages are very obvious and can be easily calculated, whereas others are hidden.

Bank Credit Cards/Travel and Entertainment Cards. It is advantageous for businesses to accept bank and travel cards for several reasons. They are convenient for customers to use, they encourage purchasing, and the individual business is not responsible for collection of the account, nor do they suffer an individual loss if the customer does not make a payment. A major disadvantage to the business, however, is that every time a purchase is made by a customer with a bank or travel card, a percentage of the sale is retained by the bank that offers the card. This service charge covers the bank's costs of billing and collecting on the account, and, of course, profit. Ultimately the costs of offering credit will increase the cost of providing the goods or service. This increase is generally passed along to the consumer during the *pricing* phase of the business (see PACE Unit 10, Pricing Strategy).

Direct Credit Accounts. The business that offers direct credit to its customers has the advantages of increasing purchases, enhancing their competitiveness, and promoting customer loyalty. The use of direct credit eliminates a service provider, such as a bank, thereby eliminating a transaction fee payable to a bank or travel/entertainment card company, for example, American Express. There is, however, increased risk for the business in the form of uncollected debts. In addition, the business must support personnel to administer the accounts receivable for the business.

The decision to offer credit is accompanied by the responsibility to consider the *specific* goals and business conditions of the *particular enterprise*. The advantages and disadvantages should be weighed carefully.



WHAT ARE SOME GUIDELINES FOR EVALUATING CREDIT APPLICATIONS?

Guidelines for making decisions about credit applications vary from business to business. Two business managers with different credit policies may takes opposite points of view about the same people who apply. Even so, some general rules are commonly accepted for deciding about credit applicants. These rules are *the three "Cs" of credit: character, capacity, and capital.*

Character is the most important of the three Cs. It is based on the person's sense of responsibility in meeting financial obligations. A person who has always paid bills promptly rates high on this standard. A person who has enough money to pay bills, but who doesn't feel an obligation to pay them promptly is not considered a good character risk.

Capacity usually refers to the person's ability to earn money. It means that the applicant has job skills to keep a steady job at an earning level high enough to meet financial obligations. Wage earners who may become laid off from work or who already have more financial responsibilities than their earnings will safely cover are examples of those who are rated low on the capacity standard.

Capital refers to the physical and financial assets of the applicant. If a person has property, savings, or other investments that can be sold in an emergency to pay off owed money, the person's credit is usually good. To most small business owners, capital is the least important of the three Cs.

Many credit problems can be avoided through investigation and prudent judgment when giving credit to customers. It is extremely important to make good judgments, since credit policies should be neither too easy going nor too strict. Policies that are too easy going invite too many uncollectible accounts whereas overly strict policies can cause lost sales.

Before you decide whether to grant credit or not, get the facts. Investigating credit requests thoroughly protects you from the customer who has no intention of paying, as well as from the customer who is extremely slow in paying. Consider three major factors in deciding about a credit applicant. First, consider the applicant's *ability* to pay, based upon income and obligations. Second, consider the person's *willingness* to pay, which can be determined from the applicant's credit history. Third, decide about the possible *profitability* of the account. You stand to lose the money you put into the product or service that you sold to the customer if you cannot collect on an account. If your cost is a large fraction of the selling price, then you have to be quite careful in deciding about credit risks.

The decision about any credit application depends on a number of factors. When deciding about an individual applicant, consider the following:

- Current address (and previous address, if the person has lived at the current address less than a certain number of years)
- Employment history
- Current job
- Salary and other income
- Length of time on job
- Monthly obligations (rent, loan payments, food, utilities, and so forth)
- Number of dependents (alimony expenses)
- Bank balances
- Personal assets (house, cars, stocks, bonds, and so forth)
- Credit standing with other businesses, credit accounts
- Amount of credit desired

See the credit application of Mary Wallace in Figure 1 for an illustration.

HOW CAN CREDIT INFORMATION BE CHECKED?

Information on credit applications must be checked to be sure that it is correct, current, and complete. A good practice is to begin at the place of employment. Find out whether the applicant is really employed and whether income and time on the job have been reported accurately.

Bank references should then be checked. Checking on this information can protect you from obvious fraud. It may also give you some indication of the applicant's ability to pay. Most banks will confirm that an account exists and will give you a general idea of the person's average bank balance. The bank may also tell you whether or not the person has met bank policies satisfactorily.

An important source of information for retail credit is the *local credit bureau.* Firms that are bureau members can generally get information on credit applicants. There is generally an annual membership fee that is charged based on the size of your business. A small additional charge is made for each inquiry you make on a credit applicant. Your local credit bureau will provide you with details about services and costs.

NO. 1754		DATE 12/15/94
FULL NAME MARY WALLACE		
ADDRESS 15 WEST PLACE, CONCORD, NJ	ZIP 07657	HOW LONG 10 YEARS
HOME PHONE 607-5421	BUSINESS PHONE 613-4700	NUMBER OF DEPENDENTS (INCLUDING SPOUSE) 4
FORMER ADDRESS 36 MAIN STREET, CONCORD	ZIP	HOW LONG
EMPLOYED BY COUNTY SUPERIOR COURT	ADDRESS 100 PARK PLAZA, CONCORD	ZIP 07647
HOW LONG 1 YEAR	POSITION ASST. CLERK	MONTHLY INCOME $1,000	OTHER INCOME $300 CHILD SUPPORT
PREVIOUS EMPLOYER FIRST COUNTY BANK	ADDRESS	ZIP	HOW LONG
BANK ACCOUNT FIRST COUNTY BANK	BRANCH DOWNTOWN	CHECKING X SAVINGS X
NAME OF SPOUSE	EMPLOYED YES __ NO __	WHERE EMPLOYED	MONTHLY INCOME
DO YOU OWN AN AUTOMOBILE YES	WHEN PURCHASED 5 YEARS AGO	FROM WHOM KING FORD
NEAREST RELATIVE WITH WHOM YOU ARE NOT LIVING:		
NAME SALLY THOMAS	ADDRESS 56 BLAKE RD, LEXINGTON, MA	RELATIONSHIP MOTHER
REAL ESTATE OWNED (OTHER THAN HOME) NONE		

CREDIT REFERENCE

TYPE	IN ACCOUNT WITH	ADDRESS	MONTHLY PAYMENT	BALANCE OWING
HOME	COUNTY REALTORS	500 GREELY DR	$ 250	
AUTOMOBILE OWN X LEASE			$	$
OTHER			$	$
OTHER			$	$
CREDIT CARD	BAMBERGERS	CARD NO 176542	$ 20	$ 150
CREDIT CARD	DAYTON'S	CARD NO 287416	$ 35	$ 250
ALL OTHER INSTALLMENT OBLIGATIONS (IN TOTAL)			$	$

IF GRANTED CREDIT I AGREE TO PAY ALL BILLS PER THE FOLLOWING TERMS:

NET 120 DAYS

SIGNED:

REMARKS:

Figure 1. Example of a Credit Application

HOW CAN CREDIT APPLICANTS BE NOTIFIED OF REJECTION?

If you decide to refuse a credit application, you can inform the person by a tactful letter. Such a letter usually states that the person's application is not acceptable "at the present time." If the customer requests the reason for rejecting the application, you must give it. For example, you might tell the customer that your decision to deny the credit application was "based on information received from the credit bureau." The person can then contact that bureau for specific reasons for the rejection, ask to see the credit record on file with the bureau, and ask that errors be corrected.

WHAT ARE CREDIT COLLECTION PROCEDURES?

The collection of outstanding receivables is just as important to the credit department as the information gathering, evaluation, and approval of a client's credit. The collection duties should be guided by a commitment to set procedures including regular follow up. It is important that a business establish credibility with its clients by acting consistently with established policies and procedures.

Time is the key ingredient of credit collections. Initial collection procedures and follow up must be made on a timely schedule in order to be effective. The most common collection procedures involve either a letter or phone call. Whether contact is made by phone call, letter, or even a personal visit, it must be made tactfully and courteously. If this is done, positive results will usually follow. If not, the business must act quickly to proceed to the next collection step. This step is most often withholding any current or future orders until the balance is cleared. This is not a good situation for you nor the customer; you don't have his/her money and they don't have your product or service.

Once you have decided to give credit to customers, you must set up a system to keep track of all charge purchases and payments made by your customers. You must also have some way of collecting payments that are overdue. These topics are covered in more detail in levels 2 and 3 of this unit.

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

Secure copies of at least four credit applications from such sources as nationally based service stations, Small Business Administration publications, local banks (most banks will have major credit card applications), or local businesses. Once you have secured the credit applications use them as samples to design a credit application for the business of your choice or your current business. Try to use the features of each that seem most appropriate for the particular needs of your chosen business.

B.

Using the same business that you used in the preceding activity, refer to the listing of the types of credit that can be offered in this unit. On a sheet of paper state which type of credit would be most appropriate for your chosen or current business. Explain your choice.

GROUP ACTIVITIES

A.

Working in teams of four to six, evaluate the credit applications that were secured in the first *INDIVIDUAL ACTIVITY*. Consider how complete and clear the questions are, whether the grammar and composition are good, how attractive the forms look, how the forms are laid out, whether they give adequate space for answers and information, how appropriate they are for the specific business, and how easy they are to fill out.

B.

Working in teams of 4-6, review the credit application of Mary Wallace. Your group does not personally know Mary. She wishes to purchase $500 worth of merchandise from your company and she would like to establish a monthly credit schedule. In evaluating the information on her credit application you will need to consider the following questions.

1. What factors show that Mary might be a satisfactory credit customer?

2. For which of her responses would you seek additional information concerning her credit application?

3. What is Mary's estimated available (disposable) income for credit payments after deducting necessary and fixed expenses?

4. Would your team extend credit to Mary based on the available information?

5. If you would grant credit to Mary, where would you place her credit limit.

6. On what discussion points is your team in least agreement? Greatest agreement?

CASE STUDY

The new All-Seasons Super Sports store is scheduled to open in 3 months. It is located in a city with a population of about 90,000. The entire business region includes many small towns in a radius of about 50 miles.

All-Seasons will be the third sporting goods store in the city. It will compete with several sporting goods departments of the large department stores located at Central City Mall. All-Seasons business plan calls for it to house the widest inventory of sporting goods in the area. The store will have good assortments of products in outdoors equipment, water-sports gear, and many related sports products.

A decision has to be made as to what type of credit service to offer. The other two highly competitive sporting goods stores have their own charge account systems and also accept two of the leading bank credit cards.

In spite of the cost of offering credit, and the risk involved, it is clear to the management of All-Seasons that they must offer some type of credit. Because they have considerable capital tied up in the store building, fixtures, and inventory, they must quickly win a share of the market. At present, the bank that loaned most of the start-up money will not loan more until a proven sales record is established. A new U.S. president has recently been elected and the economy is showing signs of consumer confidence. People **are** spending money.

DISCUSSION QUESTIONS

1. What are the advantages to All-Seasons Super Sports of offering a credit plan to their customers? Disadvantages?

2. Which basic credit plan do you think would be best for All-Seasons?

3. What basic guidelines would you follow in extending credit?

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. List the advantages and disadvantages of offering credit.

2. Name and describe the three Cs of credit.

3. Identify the basic types of direct credit plans.

4. List the six types of credit plans. Include one feature of each plan.

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PACE

Unit 1.	Your Potential as An Entrepreneur
Unit 2.	The Nature of the Small Business
Unit 3.	Business Opportunities
Unit 4.	Global Markets
Unit 5.	The Business Plan
Unit 6.	Help for the Entrepreneur
Unit 7.	Types of Ownership
Unit 8.	Marketing Analysis
Unit 9.	Location
Unit 10.	Pricing Strategy
Unit 11.	Financing the Business
Unit 12.	Legal Issues
Unit 13.	Business Management
Unit 14.	Human Resources
Unit 15.	Promotion
Unit 16.	Selling
Unit 17.	Record Keeping
Unit 18.	Financial Analysis
⇨ Unit 19.	Customer Credit
Unit 20.	Risk Management
Unit 21.	Operations
Resource Guide	
Instructor's Guide	

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business