



**Australian Government**

**Department of Education, Employment and Workplace Relations**

# **FNSCRD504A Manage the credit relationship**

**Revision Number: 1**

## FNSCRD504A Manage the credit relationship

### Modification History

Not applicable.

### Unit Descriptor

<b>Unit descriptor</b>	<p>This unit describes the performance outcomes, skills and knowledge required to manage the overall credit management function in an organisation.</p> <p>This unit has application to a range of financial services sectors and is applicable to individuals working within enterprises and job roles subject to licensing, legislative, regulatory or certification requirements so the varying Commonwealth, State or Territory requirements should be confirmed with the relevant body.</p>
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### Application of the Unit

<b>Application of the unit</b>	This unit may be adapted to meet a range of debt recovery and credit management job roles.
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### Licensing/Regulatory Information

Not applicable.

### Pre-Requisites

<b>Prerequisite units</b>		

## Employability Skills Information

<b>Employability skills</b>	This unit contains employability skills.
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## Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.	Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.
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## Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Manage the interaction between addressing credit risk and business objectives/strategies	<p>1.1. <b><i>Credit risk factors</i></b> are accounted for and knowledge of <b><i>environmental factors</i></b> to the credit relationship is applied to business strategies</p> <p>1.2. <b><i>Effective performance management techniques</i></b> are used to achieve effective credit management</p>
2. Dealing with debtors in difficult circumstances	<p>2.1. Strategies to identify early warning signs of debtors experiencing difficulties are developed and implemented</p> <p>2.2. Strategies to address debtors experiencing <b><i>difficult circumstances</i></b> are developed and implemented</p> <p>2.3. Relevant and legislative remedies to the specific debtor situation are determined and applied</p> <p>2.4. Responses to particular circumstances are in accordance with <b><i>organisational policies and procedures</i></b></p>
3. Terminating the credit relationship	<p>3.1. All record keeping is accurate and maintained in accordance with <b><i>legislative requirements</i></b></p> <p>3.2. Documentation is <b><i>destroyed or stored</i></b> in accordance with legislative requirements</p>

## Required Skills and Knowledge

### REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

#### Required skills

- well-developed communication skills to:
  - clarify, discuss and update credit risk situations with colleagues and customers using questioning and active listening as required
  - liaise with others, share information, listen and understand
  - use language and concepts appropriate to cultural differences, comprehension, age, possible disability and language level of the customer
- well-developed numeracy and IT skills to:
  - perform credit risk facta calculations
  - use relevant software, spreadsheets and databases
  - access web-based information services
- research and analysis for accessing, interpreting and managing business and personal information to determine credit risk and debt management options
- well-developed judgement skills for making credit risk determinations and debt management strategies
- organisational skills, including the ability to plan and sequence work

#### Required knowledge

- credit risk treatment strategies
- current organisational policy and procedures for credit risk identification
- interrelationship between debt recovery and business strategy
- relevant current credit management legislation

## Evidence Guide

<b>EVIDENCE GUIDE</b>	
<p>The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.</p>	
<b>Overview of assessment</b>	
<b>Critical aspects for assessment and evidence required to demonstrate competency in this unit</b>	<p>Evidence of the ability to:</p> <ul style="list-style-type: none"> <li>• interpret and comply with relevant legislation</li> <li>• accurately check customer accounts for credit risk</li> <li>• apply relevant organisational policies and procedures</li> <li>• exhibit appropriate empathy to customers when managing debt matters</li> <li>• analyse company data comprehensively and make sound judgements.</li> </ul>
<b>Context of and specific resources for assessment</b>	<p>Assessment must ensure:</p> <ul style="list-style-type: none"> <li>• competency is demonstrated in the context of the work environment and conditions specified in the range statement either in a relevant workplace or a closely simulated work environment</li> <li>• access to and the use of a range of common office equipment, technology, software and consumables</li> <li>• access to organisational policies and procedures for credit risk factoring and invoice discounting and relevant legislation.</li> </ul>
<b>Method of assessment</b>	<p>A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit:</p> <ul style="list-style-type: none"> <li>• evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency</li> <li>• verbal or written questioning on underpinning knowledge and skills</li> <li>• setting and reviewing business simulations or scenarios</li> <li>• accessing and validating third party reports.</li> </ul>
<b>Guidance information for assessment</b>	

## Range Statement

### RANGE STATEMENT

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

<p><b><i>Credit risk factors</i></b> may include:</p>	<ul style="list-style-type: none"> <li>• creditworthiness of customer</li> <li>• customer's assets</li> <li>• customer's credit history</li> <li>• importance of customer to the business</li> <li>• level of credit provided</li> <li>• level of credit requested</li> <li>• size of business providing credit.</li> </ul>
<p><b><i>Environmental factors</i></b> may include:</p>	<ul style="list-style-type: none"> <li>• degree of competition</li> <li>• economic conditions</li> <li>• legislative factors</li> <li>• market conditions</li> <li>• market share</li> <li>• nature of industry</li> <li>• seasonal factors</li> <li>• trends in employment.</li> </ul>
<p><b><i>Effective performance management techniques</i></b> can include:</p>	<ul style="list-style-type: none"> <li>• calculation of Days Sales Outstanding (DSO)</li> <li>• employee turnover</li> <li>• level of write-offs</li> <li>• number of active accounts managed per employee</li> <li>• number of credit notes raised</li> <li>• number of invoices issued per employee in the credit function</li> <li>• percentage of prior months sales collected</li> <li>• percentage of trial balance aging</li> <li>• time taken to contact overdue account.</li> </ul>
<p><b><i>Difficult circumstances</i></b> could include:</p>	<ul style="list-style-type: none"> <li>• personal hardship</li> <li>• corporate recovery programs</li> <li>• mergers and takeovers</li> <li>• natural disasters such as:             <ul style="list-style-type: none"> <li>• fire</li> <li>• flood</li> <li>• drought</li> </ul> </li> </ul>

<b>RANGE STATEMENT</b>	
	<ul style="list-style-type: none"> <li>• turnaround management schemes.</li> </ul>
<i>Organisational policies and procedures</i> covers:	<ul style="list-style-type: none"> <li>• situations relating to difficult customer circumstances and distinguish between counselling in relation to company requirements and factors beyond the control of the business.</li> </ul>
<i>Legislative requirements</i> include a sound knowledge of relevant legislation such as:	<ul style="list-style-type: none"> <li>• Consumer Credit Protection Acts</li> <li>• Corporations Act</li> <li>• Personal Property Securities Act</li> <li>• Privacy Act</li> <li>• taxation law implications.</li> </ul>
<i>Document destruction and storage</i> must be:	<ul style="list-style-type: none"> <li>• in accordance with relevant legislation and organisational policy and procedures.</li> </ul>

## Unit Sector(s)

<b>Unit sector</b>	Credit management
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## Competency field

<b>Competency field</b>	
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## Co-requisite units

<b>Co-requisite units</b>		