

Title	Evaluate creditworthiness		
Level	4	Credits	10

Purpose	<p>This unit standard is for people involved or intending to be involved in the management of credit.</p> <p>People credited with this unit standard are able to:</p> <ul style="list-style-type: none"> – demonstrate knowledge of methods of evaluating creditworthiness; – obtain credit information for evaluating creditworthiness; – evaluate creditworthiness; – set terms for credit based on applicant’s creditworthiness; and – communicate and process credit decisions.
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Classification	Financial Management > Credit Management
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Available grade	Achieved
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Guidance Information

- 1 Legislation applicable to this unit standard includes:
Anti-Money Laundering and Countering Financing of Terrorism Act 2009;
Credit Contracts and Consumer Finance Act 2003;
Personal Properties Security Act 1999;
Privacy Act 1993;
and all subsequent amendments and replacements.
- 2 Definitions
Industry practice includes policies, procedures and standards that competent practitioners in the industry recognise as current industry best practice.
Organisational practice includes documented policies, procedures, and practices, and policy and procedure manuals pertaining to credit.
Terms of trade include any conditions of purchase, credit limit billing cycles, payment due dates, discounts for prompt payment, and any trade card conditions.
- 3 This unit standard may be assessed on-job in the workplace using naturally occurring evidence or in off-job simulated work situations designed to draw upon similar performance to that required in work in a credit administration and/or credit management context.
- 4 All evidence is in accordance with organisational practice where possible, otherwise evidence may be based on industry practice.

Outcomes and performance criteria

Outcome 1

Demonstrate knowledge of methods of evaluating creditworthiness.

Performance criteria

1.1 Explain the external resources that may be used to evaluate credit risk, and their advantages and disadvantages.

Range external resources may include but are not limited to – Personal Properties Security Register search, which may be used for the purpose of referee enquiries; credit bureau check; supplier group; trade references; industry references.

1.2 Describe the role of credit risk indicators in advancing credit.

1.3 Explain credit risk indicator scoring systems used to evaluate creditworthiness in terms of the credit data they use and the weighting of that credit data.

Range credit data may include but is not limited to – length of time in business, related company performance, director's history, adverse information (defaults, judgements, insolvencies), payment profile.

Outcome 2

Obtain credit information for evaluating creditworthiness.

Performance criteria

2.1 Obtain and establish the identity and legal authority of applicant.

Range applicant may include but is not limited to – sole trader or individual; public companies; private companies; trusts; partnerships or joint ventures;
identity may include but is not limited to – legal name, legal entity, company number, registered office, billing address, email, and telephone numbers.

2.2 Obtain financial data of an applicant.

Range financial data may include but is not limited to – statement of financial position, profit and loss statement, cash flow statement.

2.3 Obtain business information about an applicant.

Range business information may include but is not limited to – business plan, trade references, shareholding, directorships.

- 2.4 Obtain credit checks and reports on an applicant in accordance with legislative requirements.

Outcome 3

Evaluate creditworthiness.

Performance criteria

- 3.1 Establish trends in an applicant's equity for evaluating creditworthiness.

- 3.2 Establish current and future cash flow of an applicant for evaluating creditworthiness.

- 3.3 Evaluate creditworthiness using credit information.

Range information may include but is not limited to – business plan, predictive likelihood of business failure, credit risk indicator.

- 3.4 Evaluate risk of applicant's failure.

Outcome 4

Set terms for credit based on applicant's creditworthiness.

Performance criteria

- 4.1 Evaluate the effectiveness of methods of reducing risk when setting terms for credit.

Range methods may include but are not limited to – progressive billing, personal guarantees, security, liens, factoring, credit insurance.

- 4.2 Assess inducements to pay on time.

Range inducements may include but are not limited to – penalty clauses, penalty interest, cash discounts.

- 4.3 Appraise rights to repossess goods in accordance with legislative requirements.

- 4.4 Set credit and transaction limits appropriate to the risks involved.

Range cash only customer, billing cycle, payment due date, terms of trade, conditions of purchase.

Outcome 5

Communicate and process credit decisions.

Performance criteria

5.1 Communicate the outcome of the credit application to the applicant.

Range outcome of credit application may include but is not limited to – payment terms, terms of trade, conditions of purchase, Security Interest registration.

5.2 Process and record credit details in accordance with legislative requirements.

Planned review date	31 December 2025
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Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	30 August 1999	31 December 2013
Revision	2	22 October 2002	31 December 2013
Review	3	28 June 2005	31 December 2021
Rollover and Revision	4	15 November 2012	31 December 2021
Rollover and Revision	5	22 May 2014	31 December 2021
Review	6	18 June 2015	31 December 2023
Review	7	24 September 2020	N/A

Consent and Moderation Requirements (CMR) reference	0121
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This CMR can be accessed at www.nzqa.govt.nz/framework/search/index.do.

Comments on this unit standard

Please contact The Skills Organisation reviewcomments@skills.org.nz if you wish to suggest changes to the content of this unit standard.