

# AAT

# Q2022

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## Credit and Debt Management

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# EXAM KIT

This Study Text supports study for the following AAT qualifications:

AAT Level 4 Diploma in Professional Accounting

AAT Diploma in Professional Accounting at SCQF Level 8

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## **Features in this revision kit**

In addition to providing a wide ranging bank of real exam style questions, we have also included in this kit:

- Paper specific information and advice on exam technique.
- Our recommended approach to make your revision for this particular subject as effective as possible.

You will find a wealth of other resources to help you with your studies on the AAT website:

[www.aat.org.uk/](http://www.aat.org.uk/)

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# UNIT SPECIFIC INFORMATION

## THE EXAM

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### FORMAT OF THE ASSESSMENT

The assessment is divided into several standalone tasks which cover all of the learning outcomes and assessment criteria.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

The learning outcomes for this unit are as follows:

	Learning outcome	Weighting
1	Understand relevant legislation and contract law that impacts the credit control environment	15%
2	Understand how information is used to assess credit risk and grant credit in compliance with organisational policies and procedures	45%
3	Understand the organisation's credit control processes for managing and collecting debts	25%
4	Understand different techniques available to collect debts	15%
	Total	100%

### Time allowed

2 hours

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### PASS MARK

The pass mark is 70



**Always keep your eye on the clock and make sure you attempt all questions!**

## DETAILED SYLLABUS

The detailed syllabus and study guide written by the AAT can be found at:

[www.aat.org.uk/](http://www.aat.org.uk/)

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# Section 1

## PRACTICE QUESTIONS

### LEGISLATION

#### CONTRACT LAW FEATURES

1 Identify whether the following statements about a contract are true or false.

	True	False
A contract made by a company must be in writing.		
A contract of employment must be in writing.		

2 S wrote to B offering to sell certain garden plants for £50,000. B sent a written reply asking if payment could be made by instalments.

**What is the legal effect of B's reply?**

- A B has made a counter offer
- B B has accepted A's offer
- C B has requested further information
- D B has rejected the offer

3 Identify whether the following statements relating to consideration are true or false?

	True	False
A promise to perform an existing statutory duty is sufficient to amount to good consideration.		
A peppercorn is sufficient to amount to good consideration.		
Past consideration is sufficient to amount to good consideration.		

4 Alpha Limited receives a letter from Beta Limited containing an order for 100 kilograms of rice. Alpha sends Beta a schedule of standard conditions, which includes the clause that payment is due within 30 days of invoice date.

**This clause is an example of:**

- A An invitation to treat
- B Consideration
- C An offer
- D A misrepresentation

**5 Which of the following is/are correct?**

	True	False
A person who signs a contract is deemed to have read it.		
A person who signs a contract is bound by all its terms.		
A person who has not read a contract cannot be bound by it.		

**6 The essential features of a valid simple contract are:**

- A Offer, acceptance and consideration only
- B Offer, acceptance, consideration, intention to create legal relations and certainty of terms only
- C Offer and acceptance only
- D Offer, acceptance, intention to create legal relations only

**7 Consideration need not be adequate but must be:**

- A Money
- B Sufficient
- C Of equivalent value to the goods
- D Accepted

**8 A contract entered into as a result of a misrepresentation is:**

- A Enforceable
- B Voidable
- C Void
- D Absolutely valid

**9 Which of the following is not an essential element of a valid simple contract?**

- A The contract must be in writing
- B The parties must be in agreement
- C Each party must provide consideration
- D Each party must intend legal relations

**10 Consideration is**

- A The intention of the parties to be legally bound
- B The need for fairness in the contract
- C The promise to exchange value
- D The payment of cash



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