

# JOB ROLE – SALES ASSOCIATE

Sector – RETAIL  
(Qualification Pack Code: RAS/Q 0104)



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# **UNIT 2: PROCESS OF CREDIT APPLICATION**

## **Session 1: Features and Conditions for Credit Sale**

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# Session Objectives

The students will be able to:

- Describe the meaning of credit sale.
- Analyze benefits to retail firms by selling on credit.
- Explain characteristics of credit sale.
- Elaborate retail credit facility and structure of credit agreement.

# Meaning of Credit Sale

Credit sale refers to sales that involve extending credit to the customer. The customer take the product now and agrees to pay for it later. Credit sales are a type of trade credit.

They create receivables or money owed to the company from customers.

## Features of Credit Sale

- Credit sales terms often require payment within one month of the invoice date but may also be for longer periods.
- The due amount may be collected in different forms, such as lump-sum payment, hire purchase system and installment purchase system.

# Benefits to Retail firms by Selling on Credit

1. Meet the competition.
2. Increase in sales.
3. Better customer loyalty.



# Characteristics of Credit Sales

**The transferor normally deals in goods and services.**

**The title of the goods lies with the seller before it is sold on credit.**

**There are fewer formalities, especially, in case of open account.**

**It is usually extended for three months.**

**It depends on terms imposed by seller.**



# Credit Sale Agreement

A credit sale agreement is an agreement for the sale of goods under which the purchase price, or part of it, is payable by installments.



# Retail Credit Facility

- ❑ It is a financing method, which provides loan facility to retail consumers for purchasing goods and services.
- ❑ It may enable a greater number of consumers access to a retailer's goods

# Elements of a Credit Agreement

- Loan warranties.
- Lending amounts.
- Interest rates.
- Loan duration,
- Default penalties, and
- Repayment terms and conditions.



# Summary

In this session, you have learnt about the meaning of credit sale, benefits to retail firms by selling on credit, characteristics of credit sale, meaning of retail credit facility and elements of credit agreement.

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