

UNIVERSITÉ PARIS 1 PANTHEON - SORBONNE

ÉCOLE DE MANAGEMENT DE LA SORBONNE / DÉPARTEMENT DES
LANGUES

LICENCE DE GESTION ET ÉCONOMIE D'ENTREPRISE, SEMESTRE 4

PARTIEL D'ANGLAIS APPLIQUÉ À LA GESTION

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Durée : 2 heures

No documents allowed. Write your answers on the official answer sheets provided.

PART I. READING

Read the text below entitled "Getting To Grips With The Late Payment Problem" and address the ensuing vocabulary and comprehension exercises.

Getting To Grips With The Late Payment Problem

Trevor Clawson / 22 July 2014 / Forbes.com [edited]

In an ideal world invoices would be honoured on or ahead of time and there would be absolutely no need to spend time and energy trying to get through to the 'right person' in your customer's accounts department to secure payment.

In the real world, late and non-payment is not only a huge frustration, it is also a source of genuine and sometimes intense financial pain for a great many British companies. And despite the sustained economic upturn it's not a problem that shows any sign of diminishing in scale.

Witness research published last week by **credit control** solution provider Satago, which found that around a third (34%) of Britain's small and medium sized enterprises (SMEs) are writing off 'thousands of pounds in **bad debts**' every year. And while a majority of those questioned in the poll saw no change in the situation, a significant minority (24%) said late and non-payment was on the increase. Only 17% thought matters were improving.

There is a caveat here. Satago provides a cloud-based credit control system that enables businesses to remind customers via automated e-mail messages that payment is due, so the company is not a totally disinterested party as regards the findings of its survey. Nevertheless, the research not only provides a timely reminder that late payment continues to be a major problem even in a recovering economy; it also shines a spotlight on some of the most common excuses used by **debtors**.

For instance, 44% of the SMEs questioned in the poll cited ‘invoice not received or lost’ as the most common excuse for late payment. If taken at face value, that implies a significant degree of incompetence either on the part of the supplier (who forgets to invoice) or the customer (who loses the document in the system). On the other hand, you might also conclude that claiming an invoice has not arrived or has been mislaid simply provides an easy way to stall payment for a while.

32% of respondents cited “I can’t afford to pay because I myself am waiting for a payment” as the main reason for the late arrival of cheques. In these situations the creditor might empathise with the company in question and even applaud its honesty but knowing that your customer has cash flow problems is hardly reassuring.

Sometimes payment is late because of a dispute over the invoice itself. That might mean a disagreement over the amount owing or discounts due. Equally it could be something as simple as the creditor failing to format the document according to the debtor’s specification. Either way, payment is put on hold until the parties resolve the issue.

So what can be done?

According to Satago founder and CEO Steve Renwick, businesses can do a lot to help themselves, simply by adopting proactive **credit** management policies and in particular by contacting debtors immediately when payment is not received by the due date on the invoice.

At the very least this will identify problems quickly. “If a company has lost your invoice you will only know about that once you contact them. If you delay reminding them for maybe 30 or 40 days after the invoice due date, neither you nor they will know there is a problem and nothing will be done to rectify it,” he says. “The same principle applies to disputes over an invoice. Often you won’t know your customer has put the invoice on hold until you get in touch.”

The proactive approach is less effective if a company is holding back on payment because of its own cash shortage. “But at least if you know there’s a problem, you can plan,” adds Renwick.

Satago’s own technology integrates with cloud-based accounting systems and enables businesses to automate the sending out of reminders and final demands for payments, with the messaging based on due dates and other trigger points. However, even if you don’t buy into the automated approach you can still adopt a systematic approach to invoicing and cheque chasing.

But there is arguably a bigger problem. In addition to late payment, UK SMEs have also been squeezed by customers (mainly large organisations wielding market power) who manage their own cash flow by demanding ever more favourable **credit terms** from their suppliers. In some cases, SMEs dealing with large businesses can find themselves waiting for three or even six months for payment under the terms of the supply contract.

In a bid to ease the cash flow pressure on SMEs, the UK government introduced a prompt-payment code designed to encourage large organisations to settle their bills quickly, preferably within thirty days. According to organisations such as the Federation of Small Businesses, so far the code has had little impact and further measures are being considered.

Meanwhile, Steven Renwick says SMEs should know their rights. “If there isn’t a contract stipulating otherwise, the default period is 30 days,” he says. “It’s surprising that a lot of companies don’t know that.”

Last year the UK’s electronic cash transfer provider BACs estimated that small companies in the UK were owed about £30 billion in unpaid invoices. A more proactive focus on credit control could help bring that figure down.

[Source: <http://www.forbes.com/sites/trevorclawson/2014/07/22/getting-to-grips-with-the-late-payment-problem/>]

A. COMPREHENSION (5 points)

Say whether the statements below are True (T) or False (F). Justify your answer with a sentence from the text: provide paragraph and line number and write down the whole sentence.

1. Economic growth could alleviate the late payment problem. (T/F)
2. Research indicates that customers increasingly fail to promptly honour their debts. (T/F)
3. Satago survey findings are objective and reliable because they emanate from an unbiased organization. (T/F)
4. A majority of small and medium-sized companies have not received invoices from their suppliers. (T/F)
5. A significant minority of small and medium-sized companies have cash flow problems. (T/F)
6. It is standard procedure for businesses to contact debtors immediately when payment is not received by the due date. (T/F)
7. The proactive approach does not always pay off. (T/F)
8. Large-scale companies can pressure their suppliers to exact better terms of payment. (T/F)
9. The U.K government has come up with a prompt-payment code that has proved efficient. (T/F)
10. The legally allowed default period is always 30 days. (T/F)

B. VOCABULARY (5 points)

1. Define briefly the following words. (2.5 points)

- a. Credit
- b. Debtor
- c. Bad debt
- d. Credit control
- e. Credit terms

2. Find the word or short phrase in the text which corresponds to the definition below. Give the paragraph and line number. (2.5 points)

- a. Itemized bills for goods sold or services provided :
- b. An increase in economic activity :
- c. Businesses which, by European standards, employ not more than 250 workers :
- d. Deadline by which a bill has to be paid :
- e. Incomings and outgoings of cash, representing the operating activities of an organization :

PART II. GRAMMAR (5 points) – PHRASAL VERBS

Complete the following sentences with the appropriate phrasal verb in the list below.
Use the verb in the correct tense: to run out, to run through, to sell out, to take off, to take out, to take over, to tie back, to tie down, to tie in, to tie up.

1. Even if they 50%..... this item, I still would not be able to afford it.
2. He his notes one more time before going to the meeting.
3. Female factory workers generally need to their hair.....
4. She was offered a promotion but turned it down because she was reluctant to be to a job.
5. Can we order more iPhones before we?
6. Facebook announced it was WhatsApp.
7. I am afraid he is in work and cannot come to the phone right now.
8. We of supplies yesterday.
9. His report with what I have seen on the field.
10. He just a loan to pay for his car.

PART III. ESSAY WRITING (5 points)

In a minimum of 250 words and a maximum of 350, providing examples and ideas based on the text as well as on other sources, answer the following question:

“What are the challenges of account management and the possible ways to deal with them?”

You will be assessed on the basis of the content of your essay (relevance, knowledge of the related issues and adequate use of appropriate terminology) as well as on the standard of your English.

► Please include your (accurate) word count at the end of your essay. You lose one point if you fail to do so and/or if you write more or fewer words than required.

ANSWER KEY : L2 S4 2014-2015 FINAL EXAM 7 MAY 2015

PART I. READING

C. COMPREHENSION (5 points)

NB: Award 0.5 per correct answer with proper reference, 0.25 for correct reference but incorrect answer, nothing to be awarded if correct answer with incorrect/irrelevant reference.

11. Economic growth could alleviate the late payment problem. (T/F) [**False** / §2 lines 3-5: “And despite the sustained economic growth it’s not a problem that shows any sign of diminishing in scale.”]
12. Research indicates that customers increasingly fail to promptly honour their debts. (T/F) [**False** / §3 lines 3-5 : “And while a majority of those questioned in the poll saw no change in the situation, [NB: only] a significant minority were improving.” NB: 24% for worse, 17% for improving, sounds like a tie.]
13. Satago survey findings are objective and reliable because they emanate from an unbiased organization. (T/F) [**False** / §4 lines 1-3 : “There is a caveat here.... so the company is not a totally disinterested party as regards the findings of its survey.”]
14. A majority of small and medium-sized companies have not received invoices from their suppliers. (T/F) [**False** / §5 lines 1-6: “For instance, 44% of the SMEs...or lost ... simply provides an easy way to stall payment for a while.”]
15. A significant minority of small and medium-sized companies have cash flow problems. (T/F) [**True** / §6 lines 1-2: “32 % of respondents cited ‘I can’t afford to pay...’ ... late arrival of cheques.”]
16. It is standard procedure for businesses to contact debtors immediately when payment is not received by the due date. (T/F) [**False** / §8 lines 1-3: “According to Satago founder... in particular by contacting debtors immediately ... due date on the invoice.” = implying this is fairly common not to...]
17. The proactive approach does not always pay off. (T/F) [**True** / §10 lines 1-2: “The proactive approach is less effective ... own cash shortage.”]
18. Large-scale companies can pressure their suppliers to exact better terms of payment. (T/F) [**True** / §12 lines 1-3: “In addition to late payment, ... squeezed by customers (mainly large organisations wielding market power) ... by demanding ever more favourable credit terms from their suppliers.”]

19. The U.K government has come up with a prompt-payment code that has proved efficient. (T/F) [**False** / §13 lines 1-4: “In a bid... so far the code has had little impact and further measures are being considered.”]
20. The legally allowed default period is always 30 days. (T/F) [**False** / §14 lines 1-2: “If there isn’t a contract ... the default period is 30 days.”]

D. VOCABULARY (5 points) Define briefly the following words. (2.5 points)

NB: 0.5 for satisfactory / relevant definition using proper English, even if the student does not provide textbook definitions. The following definitions are examples of correct answers.

- f. **Credit** = method of deferring payment for goods or services usually including interest on top of the original amount of money.
- g. **Debtor** = person or firm owing money to another person or firm.
- h. **Bad debt** = a debt that is not collectible and therefore worthless to the creditor / an amount owed by a debtor that is unlikely to be paid due, for example, to a company going into liquidation.
- i. **Credit control** = account management activity dealing with customer monitoring, credit limits and payments.
- j. **Credit terms** = conditions under which credit is granted and the way in which it is to be honoured, such as credit limit, default period allowed, instalments, interest rates, and so on.

4. *Find the word or short phrase in the text which corresponds to the definition below. Give the paragraph and line number. (2.5 points)*

NB: 0.5 per correct answer with adequate reference. 0.25 for correct answer with no/incorrect reference. Nothing to be awarded for translations.

- f. Itemized bills for goods sold or services provided : invoices (§ 1, 1.1)
- g. An increase in economic activity : economic upturn (§ 2, 1.3)
- h. Businesses which, by European standards, employ not more than 250 workers: small and medium-sized companies or enterprises – SMEs (§ 3, 1.2)
- i. Deadline by which a bill has to be paid : due date (§ 8, 1.3)

- j. Incomings and outgoings of cash, representing the operating activities of an organization : cash flow (§6, 1.4)

PART II. GRAMMAR (5 points) – PHRASAL VERBS

NB: 0.5 for correct verb + correct form/tense; nothing for incorrect verb or incorrect tense/form.

11. Even if they **took 50% off** this item, I still would not be able to afford it.
12. He **ran through** his notes one more time before going to the meeting.
13. Female factory workers generally need to **tie** their hair **back**.
14. She was offered a promotion but turned it down because she was reluctant to be **tied down** to a job.
15. Can we order more iPhones before we **sell out/ run out**?
16. Facebook announced it was **taking over** WhatsApp.
17. I am afraid he is **tied up** in work and cannot come to the phone right now.
18. We **ran out** of supplies yesterday.
19. His report **ties in** with what I have seen on the field.
20. He **has just taken out** a loan to pay for his car.

PART III. ESSAY WRITING (5 points)

“What are the challenges of account management and the possible ways to deal with them?”

Marking (1+4 points)

- Award 1 point as a bonus for requisite length. Nothing to be awarded, nor any penalty point to be deducted for inadequate or excess length.
- Please read, correct and comment the whole description and score as follows:

0.5 point = Very little substance. Poor discussion rendered in poor English.

1 point = Attempt to address the issues raised. Frequent spelling, vocabulary and grammar mistakes. No fluency of expression.

2 points = Good attempt to address the issues raised. All the questions are answered to some extent. Some regular spelling, vocabulary or grammar mistakes. Problems with the writing style.

3 points = Good substance or discussion on the whole. All the questions are addressed. Very

few spelling, vocabulary or grammar mistakes and a good writing style.

4 points = Excellent discussion. High level English including fluency of expression and a very good writing style. Perfect spelling and good lexical and grammatical choices. No mistakes at all.

- Finally, please add the score to the bonus point, if any, and award the overall mark of the section.