Corporate Financial Services
Corporate Financial Services is an option module within the Foundation Degree programme and is aimed at students either dealing with business and/or corporate customers at present or who are likely to do so in the future.

Individual financial institutions can differ in how they structure their retail and business areas. Some include sole traders, partnerships and even small to medium business enterprises in their retail operations, and restrict corporate operations to large companies above a certain size. However, for the purposes of this syllabus, business/corporate customers include all customers who are trading, regardless of their size or structure. Many financial institutions also segment their corporate customer base, with larger businesses being dealt with by specialist relationship managers, and these types of segmentation policies are addressed and discussed within this module.
The module has been designed to provide the student with an understanding of and an ability to analyse the detailed relationship between a financial institution and its business/corporate customer, including both legal and practical aspects of the relationship. Obviously it focuses in detail on the critically important area of analysing lending propositions and structuring suitable solutions, but it also covers the taking of appropriate security, monitoring and controlling ongoing risks in the relationship, key terms and conditions implicit in lending, and a thorough understanding of the impact of insolvency. The module also considers the broader spectrum of other general and more specialised business banking services and products, and their relevance to meeting different customers’ needs.

Through the assessment, students will have the opportunity to demonstrate not only their grasp of the principles and technical knowledge required for effective customer relationship management and corporate lending, but also their ability to apply this knowledge and understanding in practical terms to meeting specific customer requirements. They will have the opportunity to compare and contrast options available and show that they can present the advantages and disadvantages of different approaches and solutions effectively to customers.

9. Intended subject-specific learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module, students will be able to:

1. evaluate the legal and practical principles of effective business customer management;
2. assess business lending propositions using techniques of credit risk assessment in order to reach and justify lending decisions, including: the use of industry analysis, management and financial assessment, security, and conditions attaching to agreements to lend;
3. consider the methods of effective credit monitoring, control and recovery and demonstrate when to apply them;
4. explain the key features of services relevant to a business customer’s situation and make appropriate recommendations in specific cases;
5. discuss the general principles of security, and define and demonstrate the legal and practical implications of different types of security;
6. discuss the general principles of insolvency, and define and demonstrate the legal and practical implications of insolvency.

These intended module learning outcomes contribute to the following programme learning outcomes: A3, A4, A5, A10, A11, A12 and A13 together with the generic programme skills set out in section B-D of the programme specification.
10. Intended generic learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module students will be able to demonstrate achievement of the following generic learning outcomes:

1. Ability to learn through reflection on practice and experience.
2. Ability to undertake detailed research on a particular area and work with complex material.
3. Ability to analyse problems, identify appropriate solutions and make decisions.
4. Ability to work and study independently and utilise resources effectively.
5. Ability to communicate effectively in a manner appropriate to the context and audience.

These intended generic learning outcomes contribute to the generic programme skills set out in section B-D of the programme specification.

11. Methods of delivery

Students are required to follow an approved course of study that provides them with learning support. There are three distinct modes of study:

1. At approved Academic Centres authorised by ifs to provide tuition for the programme.
2. On a distance learning basis with tutorial support being provided by ifs’ network of academic associates.
3. On a flexible learning basis which is distance learning plus 3 enhancement workshops delivered by your academic associate.

Students will be provided with access to my ifslearning (our secure learning environment) that provides access to relevant materials and support for each module. Links to appropriate readings are available from ifs KnowledgeBank, our e-library.

Students may opt to pursue the module by either of the above modes of study, and will undertake their learning for each module within designated study sessions that will culminate in a final assessment.

Study hours:

The module is the equivalent of 300 notional learning hours. This learning may be acquired in a variety of ways:

- Via the support offered by Academic Centres, ifs distance learning provision or flexible learning provision.
- By private study.
- By completing formative assignments.
- By learning acquired and applied in the work environment.
- By reflecting on and utilising previous learning.
12. Assessment

Achievement of the learning outcomes for each option module is assessed in two ways:

- Via a written examination.
- Via a summative coursework assignment. This assessment uses the underpinning subject knowledge assessed in the examination as the framework within which to assess the achievement of the intellectual, subject-specific and transferable skills summarised in the module specification. It is recommended for each module that the summative assignment should not be submitted for marking until the associated formative assignments have been submitted and tutor feedback has been received.

Examination:

Examination questions will be practical, application-based and be focused at an operational level. According to the nature of the subject matter, a variety of question styles and approaches will be included in the examination. Questions might be based on case study materials and require a discursive answer, a business report or a series of shorter answers. Students will typically be required to explore and compare the technical aspects of an issue or topic or to apply their understanding to, for example, solve a problem or provide a recommended solution for a customer. Feedback will be provided on this component.

The question paper will be structured as follows:

- Two compulsory 20-mark questions; and
- One 10-mark question from a choice of two.

The pass mark for this component is 40%.

Time allowed: Two hours [plus 15 minutes preparation time].

You may use a scientific calculator but it must not be programmable, nor have a wireless-communications capability, nor be capable of storing textual information. It must also not require a mains electricity supply. Calculators with any further functions are not allowed in the examination room.

Summative coursework assignment:

This component will contribute 50% of the overall assessment and will be based upon the submission of one assignment at the end of the course but prior to the examination. The assignment will include questions that require students to typically explore and compare the technical aspects of an issue or topic or to apply their understanding to, for example, solve a problem or provide a recommended solution for a customer. Students will be expected to collect information, undertake research, etc, and the assignment will allow the opportunity to reflect on or analyse comparative perspectives, eg different cultures, countries, organisations, etc. Feedback will be provided on this component.
At regular intervals during the course of study, students will be expected to submit three short formative assignments. These assignments will take the form of developmental learning activities towards the assessed coursework and unseen examination components and will be integrated within the study plan. They will provide students both with opportunities to reinforce their learning as they progress through the course of study and the opportunity to prepare for both the summative assignment and unseen examination.

Whilst these formative assignments will not contribute to the overall assessment, students are strongly advised to take the opportunity to complete them, as feedback will be provided from their tutor on their progress through the course of study.

The pass mark for this component is 40%.

13. Syllabus overview

This module has been designed to provide the requisite skills, knowledge and understanding to enable students to effectively manage business and corporate customer relationships and to discuss confidently with such customers the main range of financial products and services available to meet their needs and requirements. The syllabus is arranged in several ‘sections’ covering the basic banker-customer relationship for different types of businesses; the analysis of lending propositions; taking security; monitoring and controlling risks once the money has been lent; understanding the impact of various insolvency regimes and how they may affect the relationship; and the broader spectrum of products and services available to support and maintain specific types of relationship.

The first main section takes the student from the basic principles of the banker-customer relationship and its implications through to a detailed analysis of how this relationship between a financial institution and its business/corporate customer varies, in both practical and legal terms, according to the type of customer, the nature of its business, the market segment within which it operates and the experience and sophistication of its management. The impact that an effective Customer Relationship Management system can have will be emphasised and assessed across all these aspects.

The second main section of the syllabus spans the critical important area of business lending, covering the ability to analyse lending propositions, the relative advantages and disadvantages of different forms of security, lending terms and conditions, and the presentation and structuring of individual lending applications.

The syllabus then goes on to consider methods of monitoring and being able to control the ongoing performance of a business and its ability to service its debt. This includes being able to recognise early warning signs of problems, how to tackle them and a full understanding of the impact of the various insolvency regimes and their implications for lenders and customers alike.

Finally, the syllabus looks across the broader range of basic through to more specialised financial services and products, from the perspective of how students can best identify and apply relevant business services to individual customer relationships in the most appropriate and effective manner.
1. **Syllabus**

1. **Banker-customer relationship**

This section of the syllabus is designed to provide students with essential foundation knowledge. The basic concepts contained in this section are fundamental legal principles and which students will need during their study of the subsequent sections of this module. The aspects of the law detailed below will form the syllabus, but only in relation to the banker-customer relationship.

Its focus is learning outcome 1 and covers the following issues:

- Basic contract law.
- Concepts of equity.
- Implied and contractual relationships.
- Effects and extent of exclusion clauses (relates to liability).
- Definition of a customer: duty of care and core account services.
- Types of customer: business and personal.
- The Lending Code and knowledge of the BCOB

2. **Understanding businesses**

This section covers the principal elements crucial in the understanding of businesses. It examines the non-financial elements of a business, such as assessing the management skills of the business, the implications of the business structure chosen and the sector within which the business operates. The segmentation policies of financial service providers are explored in some detail.

Its focus is learning outcomes 1 and 2 and covers the following issues:

**Types of customer (business) liability:**
- The key differentials between types of business structure: the liability of the individuals involved.
- Comparisons between the personal liabilities of:
  - sole traders;
  - partners;
  - directors; and
  - shareholders.

**Industry sector:**
- Assessing the attractiveness or otherwise of a particular sector/industry.
- Evaluating the position of the customer within a sector/industry.
Assessing management skills of business customers:
Making a structured assessment of the quality of the management of a business, a key influence on the ability of a business to perform successfully, including:
• leadership;
• management structure;
• management teamwork;
• business planning;
• management succession;
• marketing skills;
• operations skills;
• financial skills; and
• integrity and reputation.

3. Key principles of business customer relationship management (CRM)

This section focuses upon the key principles of customer relationship management as they apply to the different types of business/customer environment covered in section 2. It also examines how and why financial services providers choose to apply these principles in different specialist business areas and market segments. There is particular emphasis upon the rationale behind the heavy reliance on segmentation within this key market.

Its focus is learning outcomes 2 and 4 and covers the following issues:

CRM as it applies to:
• types of business structure;
• industry sector;
• position of customer within the sector; and
• different levels of management skills and abilities of an organisation.
4. Financial assessment of a business lending proposition

This section of the syllabus is designed to allow students to develop their ability to understand and interpret financial statements and evaluate trends in financial ratios that can indicate the health of a business and its ability to meet its debt servicing obligations. In particular, it focuses upon how cash is generated within a business and its importance to the health of that business. Through their study, students will be able to critically evaluate business projections, including budgets and cash flow statements, and to complete sensitivity analyses in order to produce a reasoned assessment of the business and its ability to repay bank debt.

Its focus is learning outcomes 2 and 4 and covers the following issues:

- Corporate reports.
- Traditional ratio analysis:
  - Profitability ratios.
  - Profit ratios.
  - Working capital ratios.
  - Gearing ratios.
  - Investor performance ratios.
- Cash flow analysis:
  - Risk assessment ratios.
  - Cash performance ratios.
  - Operating cash flows.
  - Free cash flows.
  - Limitations of ratio and cash flow analysis.
- Projections and budgets:
  - Basic assumptions.
  - Sense check.

5. Security:

This section of the syllabus enables students to understand the strengths and weaknesses of different types of security, how it can be valued, and its suitability as a secondary source of repayment. It also focuses upon the realisation of security, the issues, effects and problems associated with each type of security. (NB: Detailed procedures for perfecting security will not be covered or be required in the assessment.)

Its focus is learning outcome 5 and covers the following issues:

- Forms and types of security (nature, legal effect/implications, use and enforcement of each):
  - Lien.
  - Pledge.
  - Equitable charge.
  - Mortgage.
  - Guarantees
  - Debentures.
- Attributes of good security.
- Assets as security:
  - Land and buildings.
  - Life policies.
  - Stocks and shares.
  - Chattels.
  - Company assets, eg stock and debtors.
- Realisation:
  - Default (breach of covenants will be covered under terms and conditions of lending).
  - Effect of realising the different securities.
  - Problems on realisation, eg undue influence and equitable interest.

### 6. Terms and conditions of lending

This section of the syllabus focuses upon the identification and evaluation of suitable terms and conditions for lending and how these are incorporated in the appropriate documentation. It also examines the purpose, rationale behind and implications for both the lender and borrower of such terms and conditions.

Its focus is learning outcomes 2 and 5 and covers the following issues:

- Pricing – both interest rate margin and fees.
- Covenants that may attach to the lending, including actions on breach.
- Implications of taking no action on breach.

### 7. Structuring, presenting and assessing a lending application

This section of the syllabus is concerned with how to package a lending application in a suitable manner, using a suitable model and covering all relevant elements associated with that lend. It emphasises that different sectors, borrowers and types of customer all carry different risks that need to be analysed carefully. In particular, different types of businesses run according to different operating models and have different types of borrowing requirements that pose different sorts of problems for the lender. For example, the working capital requirement of a shipbuilder is very different to that of a supermarket.

Its focus is learning outcomes 2, 4 and 5 and covers the following issues:

- Models available, eg CAMPARI, CCCPARTS, RIOTARS.
- The borrowing requirements and credit risks of differing types of business, including the following sectors:
  - Retailing.
  - Service industries.
  - Wholesaling.
  - Manufacturing.
  - Property (investment and construction).
  - Farming (outline only).
  - Professionals.
  - Franchising.
8. Credit monitoring, control and recovery

This section of the module focuses firstly on the monitoring and control that is necessary to ensure that there are no adverse trends in the performance of a business that would impact on its ability to service its debt. It considers and evaluates the monitoring and control procedures that are part of business management and how those procedures can be utilised to monitor the health of an advance. This requires an understanding of management accounts, budgets, forecasts and variance analysis. Students will be made aware of the warning signals that can indicate that business performance may be going awry. Secondly, this section considers the actions a bank may decide to take when business performance deteriorates and what the alternative strategies may be for both the bank and the business.

Its focus is learning outcome 3 and covers the following issues:

- Credit monitoring across a local portfolio basis (e.g. a branch portfolio).
- Monitoring and control procedures that are part of business management and how these can be utilised to monitor the health of an advance.
- Management accounts, budgets, forecasts and variance analysis.
- Warning signals.
- Actions a bank may take when business performance deteriorates.
- Alternative strategies for the bank and the business (practical aspects).

9. Insolvency

This section of the syllabus explores the different insolvency regimes affecting sole traders, limited companies and partnerships, and the implications for lenders and customers alike, including legal changes in this rapidly changing area.

Its focus is learning outcome 6 and covers the following issues:

- Core concepts of insolvency.
- Regimes:
  - Personal.
  - Corporate.
  - Alternatives.
- Who’s who of insolvency:
  - Order of priority/licensing of practitioners.
  - Implications, including impact on security.
  - Outcomes, including disqualification of directors.
10. **Services relevant to business customers:**

This section of the syllabus highlights that the provision of relevant services in a timely manner is a crucial issue in the relationship between the financial service provider and the corporate customer. Some of the services covered are common to any relationship between such a provider and its customer, such as current account provision. Other services are indicative of this unique relationship, such as factoring and international trade finance. This section of the syllabus highlights where these services are relevant and the best way in which they can be introduced to the corporate customer.

Its focus is learning outcome 4 and covers the following issues:

- Interest bearing accounts.
- Current account.
- Outline of insurances.
- Factoring/invoice discounting.
- Asset finance.
- Outline of international trade finance.
- Lending.
- Interest rate management (to include swaps).
- Foreign exchange risk management.