Corporate, Commercial and Business Lending
## Corporate, Commercial and Business Lending (CCBL)

### 1. Title

Corporate, Commercial and Business Lending (CCBL)

### 2. Start date

Valid for study sessions commencing from 1 November 2011

### 3. Level of module

Level 4 FHEQ

### 4. Number of credits

30 credits

### 5. Status

Option module within Professional Certificate in Banking

### 6. Recommended prior module

N/A

### 7. Programmes of study to which module contributes

Professional Certificate in Banking

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

On completion of the course of study, students should be able (at an introductory level) to:

- **a)** understand and apply the issues involved in lending to different types of businesses and assess the associated risk;
- **b)** Understand the methods of effective credit assessment, and understand and apply financial and non-financial analysis.
- **c)** understand the requirements of corporate banking customers and be able to select an appropriate package of financial and specialist solutions to meet their needs for both their domestic and international requirements;
- **d)** understand the legal and practical issues relevant to security taken to support business advances including types and the risks associated with each;
- **e)** understand and be able to apply effective methods of monitoring, controlling and recovering lending;
- **f)** evaluate business propositions using a wide range of techniques of assessment in order to reach and justify corporate banking decisions, including: the use of industry analysis; management and financial assessment; assessment of security; international considerations and conditions attaching to agreements to lend;
- **g)** understand the nature of insolvency of customers of the corporate bank.
9. **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. Critical thinking skills
2. Ability to learn through reflection on practice and experience
3. Ability to work with complex material
4. Ability to analyse problems and identify appropriate solutions
5. Ability to work and study independently and utilise resources effectively
6. Communication and report writing skills

These intended generic learning outcomes contribute to the following programme learning outcomes: 1, 2, 3, 4, 5, 6.

10. **Syllabus overview**

This module will enable students to demonstrate an understanding of credit assessment and credit control. Applying knowledge learned, students will be able to competently assess the borrowing and other financial requirements of corporate clients and present customer-focused solutions.

Principles of lending are the foundations of the module. Analysis of financial and non-financial information, an awareness of the legal and practical aspects of security, product and pricing considerations help to build the complete module structure. Effective stewardship through regular monitoring of management information, covenants and the value of security are also covered.

The module also provides students with an understanding of the structures and legal principles of security. The syllabus aims to allow students to focus on the legal and practical remedies available to banks and concludes with insolvency.

These principles apply to all of the corporate customers including sole traders, companies, partnerships, limited liability partnerships and unincorporated associations.
11. Methods of delivery

A: Modes of study

There are three approved modes of study for the module:

**Academic centre learners**
Students enrolled for an academic centre mode will be provided with an approved schedule of classes designed to support them in achieving the learning outcomes of the module.

**Distance learners**
Distance learners will be allocated an Associate Lecturer and have access to an **ifs** Higher Education Student Adviser.

**Flexible Learners**
A distance learner can choose to register for three enhancement workshops delivered by **ifs** approved Associate Lecturers at appointed locations (subject to demand).

B: Learning hours

For a module of study worth 30 credits the total expected study hours are 300 (ie ten hours per credit). The contact hours will depend upon the student’s mode of study. Distance learners will have regular contact with their **ifs** Associate Lecturer and **ifs** Higher Education Student Adviser. Distance learners opting for enhancement workshops will have three face-to-face sessions of approximately six hours each, evenly spread at appointed dates in each session. Academic centre students will have face-to-face sessions at regular intervals over each session of study. The timing will depend upon the student and local conditions, but typically will require a commitment of around 40 hours (eg 6 x 6-hour workshops).

C: Learning materials and learning outcomes

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.
12. Assessment

There are three summative assessment components for this module:

Component 1

This assessment will represent 30% of the overall module mark weighting and will take the form of a multiple-choice objective test of 60 minute duration and contain 40 questions. The test will be taken at an examination centre after approximately 10 weeks of study.

The pass mark for this component is 55% (22 marks from the 40 marks available).

This assessment will aim to test knowledge and understanding from the early learning in the module. The test will provide the opportunity for early feedback to the student about progress on the module. It will serve to identify areas requiring further development/revisiting

This first assessment will focus on testing candidates’ knowledge and understanding from learning outcomes 8a), 8b) and 8c). It explores the issues involved and methodologies to be adopted in assessing a lending proposition, the use of financial accounts in proposition decision-making and the types of facility made available by a lender in order to meet the needs of their customer(s). Upon completion of this learning a student should be equipped with knowledge and understanding of lending techniques

This knowledge and understanding will be built upon in later assessments to test candidates’ ability to apply their knowledge (Assessment Component 2) and to analyse a situation (Assessment Component 3).

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.

Component 2

The second assessment will represent 20% of the overall module mark weighting and should be submitted after approximately 16 weeks of study. It will take the form of a coursework assignment, allowing students to develop the skills of research and assignment writing and providing the opportunity for feedback from the Associate Lecturer. The assignment will comprise a maximum word limit of 1,000 words, including quotations and in-text citations.

The pass mark for this component is 40% (8 marks from the 20 marks available).

The assignment will aim to assess students’ knowledge and understanding and their ability to apply the learning contained in learning outcomes 8a), 8b) and 8c) to a situation outlined in a brief scenario involving ‘pre-interview’ information relating to a business client’s needs. This material is likely to contain a summary of financial statements and projected figures and students will be required to employ their skills and knowledge of financial and industry assessment. This application of knowledge and understanding will be built upon in the final assessment to test the candidates’ ability to analyse a situation (Assessment Component 3).
Component 3

Component 3

The third assessment will represent 50% of the overall module mark weighting and will be submitted at the end of the period of study, intended to be within a period of 24 weeks. The assessment will comprise an end of course assignment with a maximum word count of 2,500 words.

Students will be required to apply their earlier learning to a particular business situation. It requires a student to draw upon knowledge and understanding from the entire module. In particular, it will require students to demonstrate knowledge and learning from learning outcomes 8d), 8e), 8f) and 8g). Students will be required to evaluate a business proposition. They will be required to recognise appropriate services and facilities for the business and recommend an appropriate package of solutions.

The pass mark for this component is 40% (20 marks from the 50 marks available).

13. Syllabus

1. Principles of lending

Section 1 focuses on the development of a structured approach to assessing the viability of a lending proposition and sets the proposition within the wider context of a bank’s lending policy and its appetite for risk, together with the opportunity for interest and fee income. This section also introduces the student to the different types of finance available to meet a range of customer needs arising from industry-specific requirements, the various structures adopted by corporate customers and the various points of a business’s typical life cycle (start-up, expansion, consolidation/maintenance and exit).

a) Purpose of lending requirement, for example: working capital/working capital cycle, new ventures, management buy-ins, management buy-outs, business expansion, purchase of fixed assets.

b) An understanding of the borrowing requirements and risks associated with differing types of businesses (such as interest/exchange rates) and grouped businesses as customers.

c) Attributes of good lending: safety, liquidity, pricing and profitability:
   – regulatory impact on decisions – Basel Accord and changes in Basel II;
   – structured approach to lending;
   – special considerations when lending to group businesses.
2. Financial analysis

This section focuses on the interpretation of financial accounts and their usefulness in assessing the extent to which a business is achieving its corporate goals; it allows students to apply the theoretical knowledge gained to case-study situations and draw sound conclusions from financial information provided.

a) Interpretation of:
   − historical financial statements.
   − management accounts (projected P & L, sensitivity analyses),
     Budgets, cash flow forecasts: purpose and content.

b) Importance of monitoring actual performance as compared with budgeted figures

c) Ratio analysis.

d) Comparison of trends.

e) Link to lending proposition: safety, liquidity and profitability.

f) Repayment capacity.

3. Non-financial analysis

Section 3 covers the internal and external environment, and the analyses that a business needs to undertake to ascertain its position within its business environment, set appropriate business goals and decide its strategy for achieving them. Students are introduced to analytical models such as SWOT, Porter’s five forces and PESTEL to assist with analysis of the external environment, and the McKinsey 7S framework to analyse the internal situation (ie applying the model to the lending decision).

a) business strategy;

b) corporate goals;

c) competitive environment;

d) strategic alternatives.
4. **Sources of finance**

Section 4 is designed to educate students in the wide range of financial services offered to businesses by mainstream corporate banks and to allow them to practise assembling appropriate packages of services to meet the specific financial needs of corporate customers. The value and risk profiles of the services to both bank and customer are also explained and matched to the risk/income preferences of both parties.

a) Overdrafts and loans.
b) Factoring/invoice discounting.
c) Asset finance (finance v operational leasing).
d) International trade finance (Note: students will only require a broad/outline understanding).
e) Term lending.
f) Equity finance.
g) Bonds.
h) Forfaiting.
i) Franchising.
j) Interest rate products.
k) Currency products.

Others as appropriate.

5. **Security**

This section covers the important topic of security against unforeseen or undesirable contingency; what will normally be done if insolvency, liquidation or bankruptcy ensues or if anticipated sources of repayment/close-out are frustrated or otherwise impeded.

a) General aspects of security:
   – registration and its purpose;
   – direct and third-party security;
   – independent legal advice.

b) Legal principles of security relating to:
   – estates and interests;
   – nature of a charge, mortgage, pledge and lien;
   – the difference between legal and equitable charges and mortgages;
   – rights of a mortgagee.
c) The legal aspects of the following securities in respect of customers of the corporate bank:
   - land;
   - guarantees (cross and personal), indemnities and letters of comfort;
   - debentures – the nature of the fixed and floating charges;
   - other types of asset as security, including chattel mortgages, life policies, stocks and shares, charges over bank deposits, charges over book debts.

d) Enterprise Act 2002 in relation to security given by a company.

6. Monitoring and control of lending

Section 6 is comprised of a comprehensive review of the various means, methods and techniques that lenders employ to manage lending and other facilities throughout their life cycles. Based mainly upon exception reporting against what the reviewer expects to see, it continues to allow students to explore possible causes of aberrations and difficulties, together with options for managing through them or closing them out.

a) Purpose of reviewing customers’ accounts.
b) Information sources for review.
c) Causes and warning signs of bad and doubtful debts (early warning indicators/default warning indicators).
d) Interim management accounting information – variation in performance from budget.
e) Cross firing.
f) Overtrading – emphasis on link to cash flow.
g) Non-financial indicators.
h) Seasonal businesses.
i) Control action.
j) Unpaid cheques: considerations before refusing payment (not how but why).
k) Monitoring the covenants in facility agreements.
### 7. Insolvency of customers of the corporate bank

This section increases and expands the focus on insolvency, liquidation and bankruptcy and takes students through the insolvency regime pertaining to the UK business scene.

- a) The nature of insolvency.
- c) Bankruptcy v liquidation.
- d) Different methods of dealing with insolvency.
- e) Priority of claims.
- f) Preferences.
- g) Transactions at undervalue.
- h) Fraudulent and wrongful trading.
- i) Shadow directors.
- j) Administrative receivership.