

Corporate Lending

The London Institute of Banking & Finance

MODULE SPECIFICATION

1. Title	Corporate Lending	
2. Start date	2016	
3. Level of module	Level 6 FHEQ	
4. Number of credits	30 Credits	ECTS Value
		15
5. Status	An optional module within: <ul style="list-style-type: none"> • BSc (Hons) Banking Practice and Management (full- and part-time) 	
6. Recommended prior modules	<ul style="list-style-type: none"> • Business Lending (part-time only) • Commercial and Corporate Financial Services 	
7. Programmes of study to which module contributes	<ul style="list-style-type: none"> • BSc (Hons) Banking Practice and Management (full- and part-time) 	
8. Campus / Partner	N / A	
9. Syllabus overview	<p>This module is aimed at students who are presently working, or are aiming to become involved, in the mid-capitalisation segment of corporate lending.</p> <p>The syllabus is designed to advance students' corporate lending skills and knowledge to a higher level. The focus of the module builds upon students' core understanding of bank lending techniques and develops their knowledge further into the mid-cap market, with typical corporate revenues of £50–250m.</p> <p>Students will apply more sophisticated techniques to analyse complex financial statements, and evaluate the associated risks to all stakeholders. The underlying analysis will increasingly move on from accounting fundamentals into the shareholder value arena. This will deepen students' understanding of corporate business models and allow appropriate reflection and evaluation of such models.</p> <p>There is also an increasing emphasis on analysis based on cash flow, and how this can be better evaluated, which will enable lending decisions to be based more on the sustainability of value-based strategies than on asset / security-backed support.</p> <p>The module covers advanced analytical frameworks to provide both theory and practical tools to analyse and evaluate information in corporate financial statements. It will deepen the student's ability to analyse how financial information captures and reflects the critical factors of risk and success in the competitive environment of corporate firms.</p> <p>The module also focuses on the linkage between the competitive dynamics of an industry, firm strategy, corporate social responsibility, accounting quality and financial analysis, forecasting future earnings and cash flows, and decision-making. Students will apply and reflect upon advanced methods of analysing financial information based within modern risk management techniques.</p> <p>The concept of value creation will be positioned as a central theme throughout the module. This option will not only broaden students' knowledge and understanding of the financial services industry but also further develop their intellectual and practical skills via the analysis and evaluation of the lending process.</p>	

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

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

- a) analyse the issues involved in lending to corporate clients in different industry sectors;
- b) analyse and interpret financial information in order to inform and justify lending decisions;
- c) evaluate free cash flow and the principal factors that drive shareholder value;
- d) assess the relevance of capital structure and its impact on the cost of capital;
- e) analyse key financial ratios in order to determine the ability of a company to service and repay its debt;
- f) evaluate and discuss the various types of financial and non-financial risk underlying corporate lending relationships;
- g) identify the underlying financing requirement and evaluate the options available to structure the facilities appropriately;
- h) assess the appropriate use of security in order to support particular facilities; and
- i) apply appropriate techniques to monitor and control existing facilities.

These intended module learning outcomes contribute to the following programme learning outcomes: A1 and A3.

11. 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 apply cognitive skills of analysis, synthesis and evaluation to the management of organisations and their external environment (B1 and C2).
2. Ability to apply both qualitative and quantitative skills in order to analyse problems, identify appropriate solutions and make decisions (B2 and B3).
3. Ability to develop and defend arguments / concepts through multiple perspectives (B4).
4. Ability to work with material across a range of subject areas and to recognise the links and interrelationships between them (B5).
5. Ability to conduct research into relevant issues (C1).
6. Ability to abstract meaning from information and communicate effectively in a manner appropriate to the context and audience using a range of media (D1 and D4).
7. Ability to plan and study independently and utilise resources effectively (D2 and D3).

These intended generic learning outcomes contribute to the generic programme learning outcomes set out in sections B–D of the programme specification.

12. Learning and teaching

A. 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.

B. Tuition support

Distance learning

Distance learning allows students to study independently within a clear framework, but at a pace that suits their personal circumstances and study needs. Over their course of study (24 weeks), students will be provided with comprehensive learning materials, study guides and will be assigned to a subject specialist academic tutor to support their studies. Distance learners will have regular contact with their Academic Tutor and further practical support is available from The London Institute of Banking & Finance Student Services.

Flexible learning

Flexible learning allows distance learners to opt for three face-to-face workshops of approximately six hours each, evenly spread at appointed dates in each session (24 weeks).

Dispersed campuses

Dispersed campus students will have regular face-to-face sessions over each session of study. The timing will depend upon local timetabling arrangements (eg via evening classes)

Full-time students

Full-time students will study on a semester basis supported by their module lecturer. The weekly timetable will be advised at the start of the programme.

C. Learning materials and learning outcomes

The learning and teaching strategy is designed to ensure that the students achieve the learning outcomes by the end of the module. The learning and teaching methods include formal lecture and tutorial (full-time), online learning support from an appointed lecturer (distance / flexible learning), private study of text and other supporting materials, a formal assignment, informal exercises, (both individual and group-based), and pooling of experience and knowledge through class / forum and individual discussion. The assessment strategy is designed to achieve a balance between testing the student's skills of knowledge recall and understanding, and those of research and application.

D. Reading

Students will be provided with a core text, as detailed below, but will also be expected to read and research the recommended reading on the course website. Lecturers may also recommend additional reading throughout the module.

Essential reading

- Pond, K. and Tyler, A. (2015) *Corporate Lending*. Canterbury: *ifs University College*.

Further reading

- Bender, R. (2013) *Corporate financial strategy*. 4th edn. Routledge, EBSCOhost: *eBook Collection* [online].
- Fabozzi, F J. and Peterson, P. P. (2003) *Financial management and analysis*. Hoboken, N.J. John Wiley & Sons.
- Friedlob, G. T. and Schleifer, L. L. F. (2003) *Essentials of financial analysis*. Hoboken, N.J. John Wiley & Sons.

- Ganguin, B. and Bilardello, J. (2004) *Fundamentals of corporate credit analysis*. New York: McGraw Hill.
- Mills, R., Print, C. and Rowbotham, S. (1999) *Managerial finance, shareholder value and value-based management*. Mars Associates.
- Walsh, C. (2008) *Key management ratios*. Harlow: Prentice Hall.

Newspapers and journals

- Quality broadsheet newspapers including Financial Times.
- The Economist.
- Financial World.

Each student will have access to the Virtual Learning Environment (VLE) and to *KnowledgeBank* learning resources (an electronic library service). A list of further readings relating to the syllabus and summative assignment can be found on the VLE.

It should be noted that due to the rapidly changing environment that encapsulates the financial services sector, the reading list above is indicative only. It is subject to review and update at the discretion of the module team. An up-to-date reading list is published in the student study guide issued at the commencement of the module.

13. Assessment

Component	Duration / length	Weighting
Component 1 Summative assignment	4,000 words including quotations and in-text citations	30%
Component 2 Examination	3 hours (plus 15 minutes' preparation time)	70%

Component 1: Summative assignment

This component will contribute 30% 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 (maximum 4,000 words including quotations and in-text citations). The focus of the assignment will be on exploring the relationships between issues and topics within the module syllabus. The pass mark for this component is 40%.

Component 2: Examination

This component will contribute 70% of the overall assessment. A variety of question styles and approaches may be included in the examination. Questions might require responses that involve both discursive and quantitative elements. Students will typically be required to explore and compare specific aspects of an issue or to apply their technical abilities and understanding to, for example, solve a problem or provide a recommendation.

The question paper will be structured as follows:

- **Section A** consists of one compulsory question worth 40 marks.
- **Section B** consists of four 30-mark questions, any two of which must be answered.

The pass mark for this component is 40%.

Time allowed: 3 hours (plus 15 minutes' preparation time).

A scientific calculator may be used 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.

At regular intervals during the course of study, students will be expected to submit short formative assignments. These assignments will take the form of developmental learning activities towards the assessed assignment 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 lecturer on their progress through the course of study.

Students should be aware of the regulations governing the award of credit and the arrangements for compensation, condonement and the capping of marks. Students should also be aware of the regulations relating to the resitting of assessment components and / or the retaking of modules. This information is contained within The London Institute of Banking & Finance's General and Academic Regulations for Students sections 7, 8 and 9.

Module Grading

A student's module performance grade is determined by their overall weighted average percentage score in accordance with the following:

3 rd	40%	-	49%
2.2	50%	-	59%
2.1	60%	-	69%
1 st	70%	-	100%

14. Syllabus

1. An overview of corporate lending: macro-economic / industry sector analysis and organisation structure

This section of the syllabus will build on the students' core understanding of financial analysis with deeper integration into the larger corporate (mid-cap) segment. There will be emphasis on the different analytical issues and critical success factors associated with an industry sectoral approach, eg manufacturing, retail and service. It covers the following issues:

- review and analysis of principal corporate lending criteria – core building blocks;
- assessment and evaluation of funding requirements of a corporate borrower;
- analysis of risks associated with specific types of organisation and the alignment of borrowing requirement to industry expectations / norms; and
- evaluation of supply chain operations and impact on operational cash-flow needs.

2. A framework for corporate / business strategy and financial analysis

This section of the syllabus develops students' ability to analyse and interpret financial information, contained within larger corporate annual reports, within a decision-making context. Underlying analytical skills will be developed to a higher level with a focus on earnings management, cash drivers and corporate valuation. It covers the following issues:

- analysis of corporate and business strategy and alignment with finance;
- evaluation of management;
- advanced application of practical tools including analysis of earnings quality, earnings management and free cash-flow analysis;
- evaluate how financial statement information captures and reflects the critical success factors of risk in the competitive environment and strategy of firms; and
- critique and evaluation of techniques with respect to empirical evidence.

3. Cash-flow drivers and shareholder value

This section of the syllabus develops the concept of shareholder value and analyses the associated cash flow drivers that determine value creation for both debt and equity holders. It covers the following issues:

- analyse the concept of 'shareholder value';
- examine the importance of cash-flow measurement and reflect upon alternatives to the traditional accounting performance measures; and
- evaluate the nature of 'free cash flow', the principal cash-flow drivers, and examine the relationship with value creation.

4. Debt structure and capacity / sources of payback

This section of the syllabus focuses on both capital- and interest-gearing implications for large corporate customers. The importance of corporate equity and debt structure mix are analysed alongside the underlying cost of capital. The sustainability of the debt / equity structure, repayment capability and capacity are assessed and evaluated using alternative techniques. It covers the following issues:

- analysis of capital structure, the debt versus equity debate and the nature of the cost of capital;
- application and evaluation of conventional approaches to assessing payback through debt structure and linkage into corporate financial strategies;
- application and evaluation of alternative approaches to assessing payback through reliability and quality of earnings, earnings generation, repayment capability and the underlying risks for lending bankers; and
- critique and evaluation of techniques with respect to empirical evidence.

5. Analysis of risk exposure

This section identifies and analyses the nature of the underlying risks associated with corporate relationships and alternative lending propositions. The relative importance and propensity of these risks (both financial and non-financial) are examined in light of empirical evidence. Such risks include: credit risks, operational risks, financial risks, market risks, reputational risks, environmental risks and regulatory risks.

6. Structuring and presentation of facilities

This section of the syllabus focuses on analysing the underlying purpose of the borrowing, developing options to structure the facilities and evaluating alternatives. There will be a technical emphasis on ensuring the facility structure reflects the underlying reason for the borrowing, the nature of the corporate client and subsequent source of repayment. Application of, and reflection upon, alternative finance solutions will also be required. It covers the following issues:

- analysis of the underlying need for finance;
- development and justification of suitable alternatives involving different terms and products (including cash-flow lending, mezzanine and venture capital / equity-type funding, etc); and
- evaluation of alternative finance solutions and alignment of risk / return models.

7. Documentation, covenants and security analysis

This section of the syllabus examines the nature of lending contracts and documentation. It then analyses the appropriate use of security and covenants to support a higher level of primary bank debt finance. It covers the following issues:

- discuss documentation considerations to align with facility structure and underlying risks;
- analysis of financial and non-financial covenants, their purpose, relevance and use;
- evaluate alternative covenants with reference to industry differences in covenant structures and market / empirical evidence; and
- identify and evaluate suitable security options.

8. Monitoring, control and risk awareness

This section of the syllabus focuses on the monitoring and controlling of corporate lending. Students will identify, analyse and interpret trends against forecast trading / cash flow and underlying financial covenants. In addition, students will formulate a system for identifying early warnings signs of financial distress. Students will evaluate underlying reasons for business failure and assess the consequences of default to ensure a consistent approach is adopted to manage and protect a bank's capital commitment. It covers the following issues:

- examine, apply and appraise techniques for internal and external monitoring; and
- evaluate underlying reasons for business failure and formulate a system for identifying early warning signs – critical sources of information and sectorial differentiation of industry failures.