



Course Description

BAN1231 | Commercial Lending | 3.00 credits

This course provides an increased awareness of the credit underwriting process. It provides a comprehensive foundation to the lending process including technical and interpretative analysis of financial information from liquidity, solvency, ratio and cash flow analysis to the basics for the completion of a credit approval memorandum. Students will learn the concepts of qualitative analysis including the assessment of industry risk, market risk and management risk. The course provides an understanding of the role of loan policy and the need to summarize the borrowers' various risks into an appropriate credit risk rating. Prerequisite: BAN2210.

Course Competencies

Competency 1: The student will achieve a global standard in corporate and industrial credit assessment by:

1. Explaining the relevance of industry, management, and economic influences in the operation of a corporate borrower
2. Analyzing the company's financial performance and financial condition
3. Describing business life cycles and the importance of seasonality in a company's cash flow

Competency 2: The student will learn the essentials of financial analysis and profitability assessment by:

1. Calculating profitability ratios and analyzing associated revenue/income trends
2. Evaluating how a company's earnings performance could be sustained by controlling expenses
3. Determining cash flow trends and dynamics and ascertaining the importance of the analysis process
4. Identifying the steps in the cash flow estimation process
5. Explaining how the underlying accounting decisions can have an impact on the measurement and classification of assets, liabilities, and equity

Competency 3: The student will acquire proficiency in the understanding of financial statements and business legal structures by:

1. Explaining the financial statement's structure and composition
2. Applying accounting concepts, principles, and policies
3. Describing how a business's legal structure influences and determines the presentation of financial statements
4. Identifying characteristics, advantages, and disadvantages of C corporations, S corporations, partnerships, and limited liability companies

Competency 4: The student will acquire proficiency in cash flow analysis, cash flow statements, and format by:

1. Describing the different accounting issues associated with cash flow analysis including cash versus accrual accounting
2. Constructing a cash flow statement
3. Calculating debt service coverage and how the results will impact the lending decisions
4. Evaluating the different cash flow methods and their application in a business debt repayment ability

Competency 5: The student will learn the essentials of loan structuring, loan documentation, and red flags on problems loans by:

1. Reviewing the importance of essential legal documentation included in a loan closing package
2. Explaining the steps required to obtain and secure collateral in a secured lending transaction, including the essentials of UCC filing
3. Evaluating the differences and similarities associated with a commercial versus an industrial loan
4. Obtaining the risk-based fundamentals to detect loan deterioration and red flags associated with problem loans

Learning Outcomes:

- Use quantitative analytical skills to evaluate and process numerical data
- Solve problems using critical and creative thinking and scientific reasoning
- Formulate strategies to locate, evaluate, and apply information