



QUALIFI

SUCCESS THROUGH LEARNING
RECOGNISED WORLDWIDE

Qualifi Level 7 Diploma in Asset-based Lending

Specification (For Centres)

March 2022

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About QUALIFI

QUALIFI provides academic and vocational qualifications that are globally recognised. QUALIFI's commitment to the creation and awarding of respected qualifications has a rigorous focus on high standards and consistency, beginning with recognition as an Awarding Organisation (AO) in the UK. QUALIFI is approved and regulated by Ofqual (in full). Our Ofqual reference number is RN5160. Ofqual is responsible for maintaining standards and confidence in a wide range of vocational qualifications.

As an Ofqual recognised Awarding Organisation, QUALIFI has a duty of care to implement quality assurance processes. This is to ensure that centres approved for the delivery and assessment of QUALIFI's qualifications and awards meet the required standards. This also safeguards the outcome of assessments and meets national regulatory requirements.

QUALIFI's qualifications are developed to be accessible to all learners in that they are available to anyone who is capable of attaining the required standard. QUALIFI promotes equality and diversity across aspects of the qualification process and centres are required to implement the same standards of equal opportunities and ensure learners are free from any barriers that may restrict access and progression.

QUALIFI's policy document for learners with specific requirements or who need special consideration is available for centre reference. Centres are responsible for reviewing the applicant's ability to complete the training programme successfully and ultimately achieve a qualification. The initial assessment by the centre, will need to take into account the support that is readily available or can be made available to meet individual needs as appropriate. The centre must also consider prior learning and qualifications and they must be in a position to make a judgement on the learner's entry requirements.

Supporting Diversity

QUALIFI and its partners recognise and value individual difference and have a public duty to promote equality and remove discrimination in relation to race, gender, disability, religion or belief, sexual orientation and age.

Learner Voice

Learners can play an important part in improving the quality of this course through the feedback they give. In addition to the ongoing discussion with the course team throughout the year, there are a range of mechanisms for learners to feed back about their experience of teaching and learning. This can include questionnaires and surveys to allow both centres and QUALIFI to understand how we can improve the learner experience.

1 Introduction

1.1 Why Choose QUALIFI Qualifications?

QUALIFI qualifications look to provide a realistic and broad opportunity for learners seeking career and professional development. They will support learners in realising their potential and provide clear objectives.

These objectives are to:

- provide career path support to learners who wish to develop their management skills, enterprise capabilities and opportunities in their chosen sector
- improve learner understanding of any given business environments and organisations and how they are managed and developed
- develop skills and abilities in learners to support their professional development.

Our qualifications provide a rich mix of disciplines and skills development opportunities. Learners will gain insight into the functioning, objectives and processes of organisations, appreciating their diversity and the influences and impact of external forces on them. The fast-changing and complex business environment and different organisational ability to stay resilient and respond positively to change and opportunities will be explored.

Our qualifications will develop learner ability to:

- apply analytical and evaluative techniques and to enhance those skills
- investigate issues and opportunities
- develop their awareness and appreciation of managerial, organisational and environmental issues
- use management techniques and practices in imaginative ways
- make use of relevant information from different sources
- develop and encourage problem solving and creativity to tackle problems and challenges
- exercise judgement and take responsibility for decisions and actions
- develop the ability to recognise and reflect on personal learning and improve their personal, social and other transferable skills.

1.2 Employer Support for the Qualification Development

The development of this qualification has been initiated and guided by discussions and idea sharing with a range of employers, providers and existing centres demonstrating the rigor, validity and demand for the qualification.

Discussions and feedback have been taken throughout the development of the qualifications on content, the potential learner audience for the qualification and assessment methods, ensuring a valuable experience and a recognised set of skills, knowledge and understanding is realised.

1.3 Qualification Title and Codes

This qualification has been accredited to the Regulated Qualification Framework (RQF) and has its own unique Qualification Accreditation Number (QAN). This number will appear on the learner's final certification document. Each unit with the qualifications has its own RQF code. The QAN for this qualification is as follows:

QUALIFI Level 7 Diploma in Asset-based Lending (610/0642/7)

1.4 Awarding Organisation

QUALIFI LTD

2 Programme Purpose

2.1 Reasons for the Qualification

The qualification has been created to develop the business Asset-based Lenders of today and the future and to continue to bring recognition and professionalism to the Asset-based Lending management sector.

It will enable learners take the opportunity to learn a great deal from learning programmes that will provide relevant new skills and qualities.

It is envisaged that such programmes will encourage both academic and professional development so that learners move forward to realise not just their own potential but also that of organisations across the asset-based lending sector.

The Diploma is accredited at Level 7 and has a total of 120 credits.

2.2 Rationale for the Diploma

The Level 7 programme will require learners to evaluate, challenge and synthesise a wide range of current risk management tools, techniques and models. The emphasis placed on current risk management concepts and models is on those that are relevant to the 21st century business banking environment and context.

The programme provides a unique opportunity for learners to adapt lending concepts, tools and techniques to align with pre-determined risk appetite and apply critical reflective thinking. The

qualification scope covers all the primary asset-based lending functions and how these are interrelated and integrated.

The qualification will enable learners to become independent, self-directed learners with the tools and motivation to continue learning, development and to reflect on best practice throughout their careers.

2.3 Aims of the Diploma

The Level 7 qualification is designed to develop the knowledge, understanding and skills that learners require to deal with the complexities of risk management in an asset-based lending context and to develop their ability to manage risk in financial organisations.

The Level 7 Diploma in Asset-based Lending aims to give learners the opportunity to:

1. Gain a recognised qualification from an internationally recognised awarding organisation.
2. Learn from a curriculum supported by the most recent content relevant to a contemporary business banking environment.
3. Develop new skills and knowledge that can be immediately applied.
4. Prepare for senior positions in risk management through personal and professional development as an asset-based lender who thrives in complex and globally diverse environments.
5. Have assessments marked and moderated by respected professionals with practical experience across a wide range of business banking sectors and senior risk management positions.
6. Be supported by a digital online platform and develop a personalised e-portfolio to improve the transparency and portability of the qualification.
7. Progress along a pathway to gain a higher- level qualification.

2.4 Learning Outcomes of the Diploma

The overall learning outcomes of the Diploma are:

1. To understand and apply the principles of asset-based lending in a business banking environment.
2. Review and apply the principles of risk management within the banking / financial sector.
3. To understand and apply the principles of asset-based lending risk management.

4. To improve the employability of learners by allowing them to explore the relationship between risk management theories and their practical application in the business banking world.
5. Analyse problem-solving techniques specific to business banking sector.
6. Select, collate, interpret /analyse financial & business information from a wide range of sources.

These are the overall learning outcomes in line with postgraduate programmes. The learning outcomes for each unit are identified in Appendix 1 within the unit descriptors.

3. Delivering the Qualification

3.1 Quality Assurance Arrangements

All centres go through an application and approval process to be recognised as an approved centre. Centres must have in place qualified and experienced tutors. The experience of tutors and their ability to support learners will be important. Centres must commit to working with QUALIFI and its team of Quality Reviewers/External Verifiers. Continuing professional development (CPD) for tutors is also required.

Approved centres will be monitored by QUALIFI External Quality Reviewers (EQAs) to ensure that learners are provided with appropriate learning opportunities and guidance. EQAs will ask to see and discuss a centre's formative assessment plans. The suitability of these plans will be agreed with the centre.

QUALIFI's guidance on invigilation, preventing plagiarism and collusion will apply to centres. QUALIFI Quality Reviewers/External Verifiers will monitor centre compliance. For assessment purposes, unless otherwise agreed, QUALIFI:

- appoints assignment setters, markers and moderators
- sets and agrees assignments
- marks and moderates' assignments
- agrees the final mark and issues certificates.

QUALIFI's 'Handbook on Guidance and Requirements for Assessment and Marking' will apply to its assignment setters, markers and moderators.

3.2 Entry Criteria

QUALIFI Level 7 Diploma in Asset-based Lending

This qualification has been designed to be accessible without artificial barriers that restrict access and progression. A degree is the typical academic requirement for entry into this programme.

In certain circumstances, relevant work experience, personal qualities and interview performance can often compensate for academic achievements. Managers with considerable experience but no formal qualifications may also be considered, subject to interview and being able to demonstrate their ability to cope with the demands of the programme.

4 Structure of the Qualification

4.1 Units, Credits and Total Qualification Time (TQT)

The Diploma in Asset-based Lending is a Level 7 Qualification made up of 120 credits.

The units have been designed from a learning time perspective and are expressed in terms of **Total Qualification Time (TQT)**. TQT is an estimate of the total amount of time that could reasonably be expected to be required for a student to achieve and demonstrate the achievement of the level of attainment necessary for the award of a Qualification. TQT includes undertaking each of the activities of Guided Learning, Directed Learning and Invigilated Assessment.

Examples of activities which can contribute to Total Qualification Time include:

- guided learning
- independent and unsupervised research/learning
- unsupervised compilation of a portfolio of work experience
- unsupervised e-learning/unsupervised e-assessment/unsupervised coursework
- watching a pre-recorded podcast or webinar
- unsupervised work-based learning.

Guided Learning Hours (GLH) are defined as the time when a tutor is present to give specific guidance towards the learning aim being studied on a programme. This definition includes lectures, tutorials and supervised study in, for example, open learning centres and learning workshops. Guided Learning includes any supervised assessment activity; this includes invigilated examination and observed assessment and observed work-based practice.

Some examples of activities which can contribute to Guided Learning include:

- classroom-based learning supervised by a tutor
- work-based learning supervised by a tutor

- live webinar or telephone tutorial with a tutor in real time
- e-learning supervised by a tutor in real time
- all forms of assessment which take place under the immediate guidance or supervision of a tutor or other appropriate provider of education or training, including where the assessment is competence-based and may be turned into a learning opportunity.

4.2 Qualification Structure

The overall structure of the qualification is based on eight units that cover topics relating to learning outcomes. **All units are mandatory.**

Learners must complete and achieve 120 credits before the Diploma can be issued.

Formative assessment may be used to check knowledge and understanding of specific topics and subject areas.

Unit Reference	Mandatory Units	Level	TQT	Credits	GLH
L/650/1795	Foundation of Asset-based Lending	7	140	14	56
M/650/1796	Asset-based Lending for Underwriters	7	150	15	60
R/650/1797	Inventory Lending	7	150	15	60
T/650/1798	Field Examinations (audit) -Accounts Receivables	7	180	18	72
Y/650/1799	Field Examinations (audit) Inventory	7	180	18	72
J/650/1800	Financial Statement Analysis	7	140	14	56
K/650/1801	Account Management	7	130	13	52
L/650/1802	Operations/Collateral Analysis	7	130	13	52
Total			1200	120	480

4.3 Recognition of Prior Learning

Recognition of Prior Learning (RPL) is a method of assessment (leading to the award of credit) that considers whether learners can demonstrate that they can meet the assessment requirements for a unit through knowledge, understanding or skills they already possess, and so do not need to develop through a course of learning.

QUALIFI encourages centres to recognise learners' previous achievements and experiences whether at work, home or at leisure, as well as in the classroom. RPL provides a route for the recognition of the achievements resulting from continuous learning. RPL enables recognition of achievement from a range of activities using any valid assessment methodology. Provided that the assessment requirements of a given unit or qualification have been met, the use of RPL is acceptable for accrediting a unit, units or a whole qualification.

Evidence of learning must be valid and reliable. For full guidance on RPL please refer to QUALIFI's policy document on RPL.

5 Guidance to Teaching and Learning

To ensure consistency and quality of delivery amongst centres, QUALIFI has outlined a number of policies and procedures required to ensure the very best standards are available to learners. These include:

- expertise of staff
- learning and teaching methods
- study skills
- learning resources
- personal development planning
- career opportunities.

The policies and procedures are available on request to all accredited centres or to those wishing to apply for accreditation to deliver QUALIFI qualifications.

6 Learner Support

Centres should continue to support learners and encourage appropriate behaviour. To ensure consistency and quality of delivery amongst centres QUALIFI, has outlined a number of policies and procedures to ensure the very best standards are available to learners. These include:

- learners with disabilities
- health and safety
- conduct

The policies and procedures are available on request to all accredited centres or to those wishing to apply for accreditation to deliver QUALIFI qualifications.

6.1 Data Protection

All personal information obtained from learners and other sources in connection with studies will be held securely and will be used during the course and after they leave the course for a variety of purposes. These should be all explained during the enrolment process at the commencement of learner studies. If learners or centres would like a more detailed explanation of the partner and QUALIFI policies on the use and disclosure of personal information, please contact QUALIFI via email support@QUALIFI-international.com

7. Assessment

This qualification is vocational and can support a learner's career progression. To meet QUALIFI's aim to provide an appropriate assessment method each unit will be assessed through a written assignment for each unit with tasks that will be written in a way to make them realistic 'work-related' tasks wherever possible. Learners will need to demonstrate knowledge, understanding and skills.

Original thought, problem solving and recommendations on actions will also be asked for from learners where appropriate for the unit. Intellectual rigour will be expected appropriate to the level of the qualification.

Assignments will contain a question strand for each of the given unit's learning outcomes. The assignment tasks will address the LO (learning outcome) and AC (assessment criteria) requirements. Within assignments there will always be requirements for learners to engage with important and relevant theory that underpins the subject area.

The assignment questions will require learners to draw on real organisations to illustrate their answers. To support this activity during the programme of learning, centres are required to make sure that they include case studies of relevant organisations and, wherever possible, facilitate in-company opportunities for learners to undertake research and investigation projects and/or support the organisation with various tasks. Mature and part-time learners will ideally be able to draw on their personal work experience too.

8. Course Regulations

8.1 Course Requirements

Learners must complete and pass all units to receive the full qualification.

QUALIFI will issue certificates to all successful students through the registered centres.

8.2 Classification of Awards

The classification is pass or fail. Decisions about the overall classification of awards are made by QUALIFI through the application of the academic and relevant course regulations.

8.3. Learner Voice

Learners can play an important part in improving the quality of this course through the feedback they give. In addition to the ongoing discussion with the course team throughout the year, there is a range of mechanisms for learners to feed back about their experience of teaching and learning.

8.4 Complaints

QUALIFI recognises that there may be occasions when learners and centres have cause for complaint about the service received. When this happens, the complaints procedure is intended to provide an accessible, fair and straightforward system that ensures as an effective, prompt and appropriate response as possible.

For more information on our formal complaints procedure please contact in the first instance or email: support@QUALIFI-international.com

9 Equality and Diversity

QUALIFI recognises that discrimination and victimisation are unacceptable and that it is in the interests of QUALIFI employees to utilise the skills of the total workforce. It is our aim to ensure that no employee or other representative of QUALIFI receives less favourable facilities or treatment (either directly or indirectly) in recruitment or employment on grounds of age, disability, gender/gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion or belief, sex, or sexual orientation (protected characteristics).

Our aim is that our workforce will be truly representative of all sections of society and each employee feels respected and able to give their best. We oppose all forms of unlawful and unfair discrimination or victimisation. To that end the purpose of this policy is to provide equality and fairness for all.

Our staff will not discriminate directly or indirectly, or harass customers or clients because of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation in the provision of QUALIFI's goods or services.

This policy and the associated arrangements shall operate in accordance with statutory requirements, particularly the Equality Act 2010 <https://www.gov.uk/equality-act-2010-guidance>. In addition, full account will be taken of any guidance or codes of practice issued by the Equality and Human Rights Commission, any government departments, and any other statutory bodies. The policy document will be monitored and reviewed annually and can be downloaded from our website or by making contact with QUALIFI.

10. Further Professional Development and Training

QUALIFI supports UK and international customers with training related to our qualifications. This support is available through a choice of training options offered through publications or through customised training at your centre.

The support we offer focuses on a range of issues including:

- planning for the delivery of a new programme
- planning for assessment and grading
- developing effective assignments
- building your team and teamwork skills
- developing student-centred learning and teaching approaches
- building in effective and efficient quality assurance systems.

You can request customised training through your registered centre in the first instance. If you need to contact QUALIFI directly:

Our customer service number: +44 (0) 115 888 2323

Or email: support@QUALIFI-international.com

Website: www.QUALIFI.net www.QUALIFI-international.com

Appendix 1: Unit Descriptors

Unit ABL701: Foundation of Asset-based Lending (ABL)

Unit code: L/650/1795

RQF level: 7

Aim

The unit provides learners with a comprehensive knowledge of asset-based lending, how to structure lending parameters: minimizing risks and maximising profitability.

Learning Outcomes and Assessment Criteria

Learning Outcomes: To achieve this unit, the learner must be able to:	Assessment Criteria: Assessment of these outcomes demonstrates the learner can:
1. Understand how asset-based lending has evolved and its strategic role in managing risk in a commercial lending environment.	1.1 Evaluate the risks inherent in disparate lending structures.
	1.2 Evaluate the performance of collateral lending versus conventional lending methodologies.
	1.3 Extrapolate the value of asset-based lending in the current and evolving commercial environment.
2. Assess the risk parameters involved in asset-based lending and how to structure an asset-based loan.	2.1 Evaluate the suitability of tools and techniques available in structuring an asset-based lending Facility.
	2.2 Assess the need for tailored financial solutions for well-defined sectors at different stages of development.
	2.3 Analyse the dynamics involved in configuring an asset-based lending structure and the complexities associated with the asset mix and performance.
3. Understand the cash conversion cycle (CCC) and its role in ABL.	3.1 Assess a detailed financial analysis of the CCC and its ability to service debt.
	3.2 Determine the quality and collectability of outstanding trade debt and possible impact on financial objectives.
	3.3 Evaluate the timing of receipts and payments against agreed parameters.
4. Evaluate the business and associated risks in collateral lending.	4.1 Determine the associated risks of the: product / market customer base suppliers.

4.2 Analyse the impact of a 'doomsday' scenario and the exit strategies available to an asset-based lending provider.

Indicative Content

In this unit, learners will study various models, concepts and ideas that can be used to structure, monitor, and manage the overall risk parameters in asset-based lending.

These include:

Accounts Receivable as Collateral

- Aging analysis
- Methodology
- Invoice date v due date
- Aging codes
- Detail v summary aging
- Spread analysis
- Analysis utilisation by 'Comparables'
- Matching turnover

Receivable statistics compared with spread movement

- Credit extension and collection procedures
- Analysing receivable concentration and interrogation of customer base
- Delinquent account management
- Ineligible debts – calculation formulae
- Authenticity test
- Dilutions
- Advance rates – calculation formulae
- Cash control mechanisms
- Reporting considerations

Inventory as Collateral

- Lending considerations
- Inventory aging
- Purchase v sales
- Physical adjustments

Treatment of returns
Slow and obsolete inventory
Calculating turnover – ABL
Facility inspection
Operating systems
Inventory classification
Authenticity test
Ineligible inventory

Insurance

Advance rates – calculation formulae
Reporting methodologies

Case Studies

Learners will further be introduced to and encouraged to discuss and apply the management models, concepts and ideas that will be used to establish risk management objectives.

Core Text

- Asset-based Lending DISCIPLINES BOOK – Donald F. Clarke | Due 2022 | Due 2022 |

Suggested Resources

- Asset-based Lending and Insolvency, by Knight and Grant Jones | Dec 31, 2020
- The History of Asset-based Lending – Sidney Rutberg; Commercial Finance Association
- Overview: Asset-based Finance – KKR& Co; Harvest
- A Guide to Factoring and Invoice Discounting: The New Bankers Hardcover – November 1, 1996, by Tim Lea (Author), Wendy Trollope (Author)
- Asset-based Lending: A Practical Guide to Secured Financing, by John Francis Hilson and Katherine E. Bell | Oct 26, 2017
- Asset-based Lending: The Complete Guide to Originating, Evaluating and Managing Asset-based Loans, Leasing and Factoring, by Peter Clarke | Oct 9, 2017
- <https://www.youtube.com/watch?v=HqA-32U28kA>

Unit ABL702: Asset-based Lending for Underwriters

Unit code: M/650/1796

RQF level: 7

Aim

This unit is geared towards supporting learners to understand the appropriate way to underwrite asset-based collateral.

Learning Outcomes and Assessment Criteria

Learning Outcomes: To achieve this unit, the learner must be able to:	Assessment Criteria: Assessment of these outcomes demonstrates the learner can:
1. Analyse historic financial information and extrapolate the analysis to evaluate profitability and cash flow projections.	1.1 Appraise the validity of the required financial information in accordance with required criteria.
	1.2 Analyse financial data and information and evaluate financial performance levels and the ability to meet projected targets.
	1.3 Assess sectoral information and data and evaluate using comparative analysis.
	1.4 Review and evaluate the financial information and data to confirm that it conforms to the required criteria.
2. Manage the risks inherent in asset-based lending.	2.1 Review the Field Audit Investigation report and detect potential issues raised in report that may have an impact on the collectability of collateral.
	2.2 Evaluate the perceived risks based on sectoral experience using comparative analysis.
	2.3 Challenge the assumptions being presented and evaluate their validity in relation to the appropriate risk parameters set.
3. Configure and evaluate an exit strategy when underwriting the asset-based lending facility.	3.1 Prepare an exit strategy proposal that is appropriate to the asset-based lending facility.
	3.2 Analyse the value of the asset base in a break-up scenario and evaluate it against the collateral held.
	3.3 Evaluate collateral security and identify the nature and severity of issues in accordance with the parameters set.

Indicative Content

Financial Review

Financial statement (spread sheet) analysis and review

Balance Sheet – ratios/analysis & review

Income Statement – ratios/analysis & review

Projections

Availability forecasting

Account Receivables

Aging analysis

Turnover analysis

Calculation of ineligible

Advance rate structuring considerations

Inventory

Preliminary lending considerations

Classification of inventory

Assessing inventory performance

Calculation of ineligible

Advance rate structuring considerations

Collateral Reporting Proposals

Fixed Assets

Lending methodology

Types of appraisals

Interpretation of appraisals

Learners will further be introduced to and encouraged to discuss and apply the management models, concepts and ideas that will facilitate an in-depth analysis of the lending proposal when underwriting the inherent risks involved.

Core Text

- Asset-based Lending DISCIPLINES BOOK – Donald F. Clarke | Due 2022

Suggested Resources

- Asset-based Lending and Insolvency, by Knight and Grant Jones | Dec 31, 2020
- Overview: Asset-based Finance – KKR& Co; Harvest
- A Guide to Factoring and Invoice Discounting: The New Bankers Hardcover – November 1, 1996, by Tim Lea (Author), Wendy Trollope (Author)
- Asset-based Lending: The Complete Guide to Originating, Evaluating and Managing Asset-based Loans, Leasing and Factoring, by Peter Clarke | Oct 9, 2017
- Asset-based Finance – Proven Disciplines for Prudent Lending; Secured Finance Association
- Legal Aspects of Receivables Financing – Fidelis Oditah; Sweet & Maxwell
- Factoring Law and Practice – Freddy R Salinger; Sweet & Maxwell
- Equipment Leasing – Amembal, Halladay & Isom; A & H
- <https://intersentia.com/en/the-law-and-economics-of-secured-lending.html>

Unit ABL703: Inventory Lending

Unit code: R/650/1797

RQF level: 7

Aim

The unit covers how to analyse and assess inventory properly as collateral to quantify risk and establish proper lending parameters.

Learning Outcomes and Assessment Criteria

Learning Outcomes: To achieve this unit, the learner must be able to:	Assessment Criteria: Assessment of these outcomes demonstrates the learner can:
1. Understand the complexity of inventory as pledged collateral in the asset-based lending sector.	1.1 Characterize the specific inventory characteristics.
	1.2 Evaluate the value of the inventory to a lender as collateral for an asset-based lending facility.
	1.3 Assess the ability of the management information systems to provide specific, timely and accurate data on inventory.
2. Analyse the application of tools and techniques determining the advance rates appropriate to individual proposals.	2.1 Determine the legal responsibilities in sourcing, storing and disposal of inventory in a real-time scenario.
	2.2 Analyse the likely dilution levels when determining the advance rate.
	2.3 Analyse the inventory composition, turnover levels, location and distribution characteristics.
3. Monitor the performance of the inventory risk throughout the life cycle of the loan.	3.1 Review accounting systems and methodology in use and cross reference with lenders' records to evaluate risk issues.
	3.2 Recommend the key parameters to be addressed at field audits and frequency of audits in accordance with facility requirements.
	3.3 Review data and information sources available to recommend actions appropriate to risk management.
4. Assess the market value and determine the most appropriate exit strategy.	4.1 Review market conditions for obsolescence, re-sale price comparisons, seasonality, insurance, legal and other related issues and report variances that have an impact on collateral value.

4.2 Prepare an exit strategy proposal based on appraisal reports and established tools & techniques developed within the asset-based lending sector.
4.3 Recommend appropriate channel i.e. re-structure, trade sale, other collateral available or liquidation in accordance with industry standard.

Indicative Content

In this unit, learners will be introduced to concepts, ideas and models that underpin an Asset-based lending provider in managing and formulating strategic credit risk decisions. The models and concepts will include:

Inventory Considerations

Inventory characteristics

Storage

Mix & valuations

Warranties & returns

Agreements with suppliers

Liens

Insurance

Analysing Inventory

Raw materials, work-in-progress, finished goods

Fast-moving, Slow-moving, Obsolete, Scrap

Customised, standardised, brand names

Commodities, warehouse/distributor parts, manufacturing, hi-tech/fashion

Accounting Systems

Specific ID

Average cost

FIFO/LIFO

Inventory performance in liquidation

Ineligibles

Testing Techniques

Inventory Turnover

Appraisals, Reserves and Advance Rates

Red Flags

Changes in supplier & customer relationships

Backlogs

Market conditions

Gross margin movements

Discounts & rebates

Restructures & Exit strategies

Learners will further be introduced to and encouraged to discuss some of the management models, concepts and ideas that could be used to help set risk management objectives.

Core Text

- Asset-based Lending DISCIPLINES BOOK – Donald F. Clarke | Due 2022

Suggested Resources

- A Guide to Factoring and Invoice Discounting: The New Bankers , by Tim Lea, Wendy Trollope · Chapman & Hall · Hardback · ISBN 0412613700
- Asset-based Lending: The Complete Guide to Originating, Evaluating and Managing Asset-based Loans, Leasing and Factoring, by Peter Clarke | Oct 9, 2017
- Asset-based Finance – Proven Disciplines for Prudent Lending; Secured Finance Association
- <https://www.investopedia.com/ask/answers/070914/how-do-i-calculate-inventory-turnover-ratio.asp>
- <https://www.tradegecko.com/inventory-management/inventory-turnover-formula>
- <https://www.unleashedsoftware.com/blog/five-basics-stock-control-:~:text=A%20stock%20control%20system%2C%20also,receiving%20and%20re%2Dordering%20products.>

- <https://www.fm-magazine.com/issues/2018/feb/prevent-inventory-fraud.html>
 - https://en.wikipedia.org/wiki/Control_fraud
 - <https://www.journalofaccountancy.com/issues/2001/jun/ghostgoodshowtospotphantominventory.html>
- <https://www.grantthornton.ee/en/insights1/stock-taking-helps-prevent-and-detect-fraud/>

Unit ABL704: Field Examinations (audit) – Account Receivables

Unit code: T/650/1798

RQF level: 7

Aim

The purpose of the field examination function is to appraise the value and operation of the asset-based lending facility. The aim of this unit is to review the accounts receivable element of the field examinations role.

The primary role of the Field Examiner is to act as the “eyes and ears” of the lender by testing, verifying and determining the collateral held by the asset-based lender.

Learning Outcomes and Assessment Criteria

Learning Outcomes: To achieve this unit, the learner must be able to:	Assessment Criteria: Assessment of these outcomes demonstrates the learner can:
1. Verify data supplied to lenders.	1.1 Evaluate the viability of the borrower against agreed criteria.
	1.2 Determine the competence of personnel and the adequacy and accuracy of accounting systems.
	1.3 Assess the quality of pledged receivables collateral through various tests of authenticity.
	1.4 Assess the quality of pledged receivables through the extrapolation and analysis of collateral data from the books and records.
2. Review various data sources, perform analysis and determine material issues.	2.1 Assess the relevant sources of data to be researched in advance of field examination.
	2.2 Determine the courses of action to be focused on during the field examination through a review of data.
	2.3 Evaluate the material issues from the data and information
3. Draw conclusions and make recommendations to safeguard the value of collateral.	3.1 Evaluate the research and analysis to enable conclusions to be made to safeguard the collectability of collateral.
	3.2 Recommend actions that strengthen the position of lender.
	3.3 Analyse the impact of the recommendations in order to safeguard the collectability of collateral.

4. Appraise the results of the field examination.	4.1 Recommend appropriate actions for immediate, short- and long- term results required from the information obtained through the field examination.
	4.2 Evaluate the impact and success of the field examination against agreed criteria.

Indicative Content

In this unit, learners will examine:

- The determination of the continuing viability of the borrower
- Review financial performance.
- Determine the competence of personnel and adequacy and accuracy of accounting systems. The Field Examiner must acquire a good understanding of the systems employed by the borrower and whether or not they can adequately and timely provide the reporting data required by the lender.
- Confirm and verify the existence of pledged collateral through various tests of authenticity.
- Determine the quality of pledged assets through the extrapolation and analysis of collateral data from the books and records.
- Determine the nature and level of maintenance of vendor/supplier relationships.
- Test the borrower's cash management systems with focus on how they affect the lender's secured position.
- Test the adequacy of checks and balances within the borrower's internal infrastructure with focus on conflicts and how they might impact the lender's position.
- Detect any developing trends that will have either a positive or adverse effect on the lender's position.

- Detect collateral that would have no redeeming value to the lender in a liquidation scenario.
- Test the continuing relevance of the lender's lending parameters and whether or not such parameters would allow the lender to exit the relationship without impairment to its position.
- Detect any other situation (whether tangible or intangible) that would serve to imperil the lender's secured position in pledged assets.
- Determine if the lender's internal staff and systems are providing adequate and timely information to ensure the effective monitoring of the lender's overall position in relation to each borrower.
- Discover, disclose and attempt to quantify any and all perceived risks to the lender in each debtor and recommend effective ways to manage such perceived risks.
- Discuss any substantial discoveries unearthed during the examination with the borrower's senior management, allowing the opportunity to provide plausible explanations before corrective action is taken.
- Discuss with the Account Manager on a real-time basis, issues of materiality that the Examiner finds pervasive during the review.

Core Text

- Asset-based Lending DISCIPLINES BOOK – Donald F. Clarke | Due 2022

Suggested Resources

- Fraud Examination, Chad O. Albrecht, Conan C. Albrecht, Mark F. Zimbelman, W. Steve Albrecht, 2011 - ISBN-10 0538470844 ISBN-13 9780538470841
- Risk Management in Banking by Joel Bessis, 2015
- Asset-based Lending and Insolvency, by Knight and Grant Jones | Dec 31, 2020
- The History of Asset-based Lending – Sidney Rutberg; Commercial Finance Association
- Overview: Asset-based Finance – KKR& Co; Harvest

Unit ABL705: Field Examinations (audit) Inventory

Unit code: Y/650/1799

RQF level: 7

Aim

The purpose of the Field Examination function is to appraise the value and operation of intricate asset-based lending facilities. The aim of this section is to review the inventory element of the Field Examinations role.

Learning Outcomes and Assessment Criteria

Learning Outcomes: To achieve this unit, the learner must be able to:	Assessment Criteria: Assessment of these outcomes demonstrates the learner can:
1. Verify data supplied to lenders.	1.1 Evaluate the viability of the borrower against agreed criteria. 1.2 Determine the competence of personnel and the adequacy and accuracy of accounting systems. 1.3 Assess the quality of pledged inventory collateral through various tests of authenticity. 1.4 Assess the quality of inventory through the extrapolation and analysis of collateral data from the books and records.
2. Review various data sources, perform analysis and determine material issues.	2.1 Assess the relevant sources of data to be researched in advance of field examination. 2.2 Determine the courses of action to be focused on during the field examination through a review of data. 2.3 Evaluate the material issues from the data and information.
3. Draw conclusions and make recommendations to safeguard the value of collateral.	3.1 Evaluate the research and analysis to enable conclusions to be made. 3.2 Recommend actions that strengthen the position of lender. 3.3 Analyse the impact of the recommendations.
4. Review the results of the field examination.	4.1 Recommend appropriate actions for immediate, short- and long- term results required from the information obtained through the field examination.

4.2 Evaluate the impact and success of the field examination against agreed criteria.

Indicative Content

In this unit, learners will examine:

- The determination of the continuing viability of the borrower
- Review financial performance.
- Determine the competence of personnel and adequacy and accuracy of accounting systems. The Field Examiner must acquire a good understanding of the systems employed by the borrower and whether or not they can adequately and timely provide the reporting data required by the lender.
- Confirm and verify the existence of pledged inventory collateral through various tests of authenticity.
- Determine the quality of pledged inventory assets through the extrapolation and analysis of collateral data from the books and records.
- Determine the nature and level of maintenance of vendor/supplier relationships.
- Test the borrower's cash management systems with focus on how they affect the lender's secured position.
- Test the adequacy of checks and balances within the borrower's internal infrastructure with focus on conflicts and how they might impact the lender's position.
- Detect any developing trends that will have either a positive or adverse effect on the lender's position.
- Identify inventory collateral that would have no redeeming value to the lender in a liquidation scenario.
- Test the continuing relevance of the lender's lending parameters and whether or not such parameters would allow the lender to exit the relationship without impairment to its position.

- Detect any other situation (whether tangible or intangible) that would serve to imperil the lender's secured position in pledged assets.
- Determine if the lender's internal staff and systems are providing adequate and timely information to ensure the effective monitoring of the lender's overall position in relation to each borrower.
- Discuss any substantial discoveries unearthed during the examination with the borrower's senior management, allowing the opportunity to provide plausible explanations before corrective action is taken.
- Discuss with the Account Manager on a real-time basis, issues of materiality that the Examiner finds pervasive during the review.

Core Text

- Asset-based Lending DISCIPLINES BOOK – Donald F. Clarke | Due 2022

Suggested Resources

- Fraud Examination, Chad O. Albrecht, Conan C. Albrecht, Mark F. Zimbelman, W. Steve Albrecht, 2011 - ISBN-10 0538470844 ISBN-13 9780538470841
- Risk Management in Banking by Joel Bessis, 2015
- Asset-based Lending and Insolvency, by Knight and Grant Jones | Dec 31, 2020
- The History of Asset-based Lending – Sidney Rutberg; Commercial Finance Association
- Overview: Asset-based Finance – KKR& Co; Harvest

Unit ABL706: Financial Statement Analysis

Unit code: J/650/1800

RQF level: 7

Aim

The unit investigates how to analyse financial statements properly, focusing on liquidity and cash generation by conducting vertical and horizontal analysis.

Learning Outcomes and Assessment Criteria

Learning Outcomes: To achieve this unit, the learner must be able to:	Assessment Criteria: Assessment of these outcomes demonstrates the learner can:
1. Understand the purpose and uses of financial analysis in an asset-based lending (ABL) environment.	1.1 Assess the difference between an asset-based lending proposition and the requirements for a 'cash flow' loan.
	1.2 Determine the optimum mix in structuring the most appropriate lending proposition.
	1.3 Evaluate the impact of stakeholder expectations in the various options available.
2. Determine the ability of a business to generate sufficient funds to repay borrowings and to assess the future viability of the business through the application of tools and techniques.	2.1 Determine the priorities and feasibility of alternative options based the historic financial performance of the business.
	2.2 Evaluate the repayment capacity in different pre-determined scenarios.
	2.3 Conduct a risk assessment of the profitability and cash flow projections using sensitivity analysis.
	2.4 Appraise, justify and articulate the selected lending strategies and address/ anticipate any potential future problems.
	2.5 Determine and apply a range of tools and concepts that monitor and review the performance of an asset-based lending loan throughout its life cycle.

Indicative Content

In this unit, learners will learn how to extrapolate, spread and analyse pertinent financial statement data and metrics. How to analyse true Liquidity in A/R and Inventory using asset-based lending techniques.

The models and concepts will include:

Balance Sheet Ratios/ Analysis

Quick/asset test ratio

Working capital/current ratio

Tangible Net Worth (TNW) Analysis

Leverage Ratio Analysis (DTW)

Days sales outstanding

Days purchases outstanding

Inventory turnover

Asset-based Lending revelations – impact on liquidity ratios

Gearing ratios

LIFO inventory – impact on debt service capabilities

Income Statement Analysis

Tracking sales trends & predicting future outcomes

Breakeven sales analysis

Analysis of Cost of Goods Sold ('COGS')

Tracking gross margin trends vs. industry comparisons

Analysing 'Below the Line' items as a % of Sales

Repayment Capacity

EBITDA vs. interest coverage

Cash flow vs. debt service obligations – impact on working capital

Core Text

- Asset-based Lending DISCIPLINES BOOK – Donald F. Clarke | Due 2022

Suggested Resources

- Financial Statement Analysis & Security Valuation – Stephen Penman; McGrath Hill International
- Understanding Financial Statements – Aileen Orminston; Pearson

- Financial Statement Analysis – A Practitioners Guide, - Martin S Fridson; Wiley Finance
- <https://corporatefinanceinstitute.com/resources/knowledge/finance/analysis-of-financial-statements/>
- <https://www.palgrave.com/gp/book/9783319999838><https://www.youtube.com/watch?v=oMIkOICkK8Q>
- <https://www.afponline.org/ideas-inspiration/topics/articles/Details/6-steps-to-an-effective-f><https://www.aafmindia.co.in/financial-statement-analysis-tools-limitation-uses-processinancial-statement-analysis>
- <https://bench.co/blog/accounting/how-to-read-and-analyze-financial-statements/>

Unit ABL707: Account Management

Unit code: K/650/1801

RQF level: 7

Aim

This unit addresses the role and function of the account manager and how to approach financial performance and forecasting. It concerns developing the skills and tools required to review and evaluate the operation of facilities and how to develop the management of risk in an ever-changing environment.

Learning Outcomes and Assessment Criteria

Learning Outcomes: To achieve this unit, the learner must be able to:	Assessment Criteria: Assessment of these outcomes demonstrates the learner can:
1. Assess financial performance issues.	1.1 Evaluate financial statements by means of utilising ratio analysis techniques.
	1.2 Review covenant and other controls which will trigger default scenarios.
	1.3 Assess current solvency position and assess likely short term financial implications through a review of historical financial information.
2. Evaluate collateral issues.	2.1 Evaluate asset-based lending reporting from clients.
	2.2 Assess collateral trends based upon asset-based lending reporting from clients.
3. Assess forecasting – bank funding availability.	3.1 Evaluate availability based upon collateral offered.
	3.2 Evaluate seasonal swings in availability.
4. Evaluate reports from supporting functions.	4.1 Evaluate report actions from operations area against facility criteria.
	4.2 Evaluate report actions from audit team against facility criteria.
	4.3 Prepare recommendations for support function to ensure they adhere to standard requirements.

Indicative Content

- Function And Importance of The Account Manager
- Approaching Financial Performance Issues
- Collateral Issues
- Availability Forecasting
- Interfacing With Support Groups
- Interpreting Audit Reports
- Participations
- Accounts Receivable as Collateral
- Inventory as Collateral
- Fixed Assets
- Collateral Reporting
- Monitoring Trade Payables
- Legal Issues
- Maintain Credit Files

Core Text

- Asset-based Lending DISCIPLINES BOOK – Donald F. Clarke | Due 2022

Suggested Resources

- Relationship Management in Banking: Principles and Practice: 4 (Chartered Banker Series, 4) Paperback – 3 July 2017, by Steve Goulding (Author), Richard Abley (Author)
- Modern Bank Management : LAP Lambert Academic Publishing : 9783659482632 : 13 Nov 2013
- <https://www.paulhastings.com/docs/default-source/PDFs/securelender201610-1475518071000e98f88b527-pp3c5fea6923346428811cff00004cbded.pdf>

Unit ABL708: Operations/collateral analysis

Unit code: L/650/1802

RQF level: 7

Aim

The unit covers the frontline/operational function of asset-based lending. The unit explores how to glean pertinent information from borrowers' submitted documentation in a real time basis, allowing asset-based lending staff to detect and minimise emerging risk evaluation.

Learning Outcomes and Assessment Criteria

Learning Outcomes: To achieve this unit, the learner must be able to:	Assessment Criteria: Assessment of these outcomes demonstrates the learner can:
1. Understand the area /concept of operational control and be able to analysis data, information and trends.	1.1 Analyse information submitted by clients and ensure they adhere to collateral agreement.
	1.2 Assess trends from quantitative & qualitative analysis of pledged collateral in accordance with collateral agreements.
	1.3 Appraise issues and trends through a review of daily and monthly functions of the Operations Department in accordance with collateral agreements.
2. Appraise the operation of client accounts in accordance with collateral agreement.	2.1 Appraise trends & trajectories, concentrations of debtors and ineligibility (funding) issues through a review of vertical and horizontal analysis.
	2.2 Assess tests of authenticity to detect issues with quality of collateral offered in accordance with collateral agreement.
	2.3 Analyse remittance reports by testing cash inflow for reasonableness or suspicion.
3. Appraise account operational issues in accordance with collateral agreement.	3.1 Review the borrowing base for accuracy, using industry standard analysis tools.
	3.2 Detect key collateral indices using industry standard analysis tools.
	3.3 Evaluate statistical data to determine issues using industry standard analysis tools.

Indicative Content

- Introduction
- Importance Of the Operations Area
- Daily/Monthly Functions of The Operations Department
- Reviewing The Borrowing Base for Accuracy
- Analysing Key Collateral Indices
- Set Up and Maintenance Of Statistical Data
- Interfacing With Support Groups
- Case Work

Core Text

- Asset-based Lending DISCIPLINES BOOK – Donald F. Clarke | Due 2022

Suggested Resources

- <https://www.amazon.com/The-Secured-Lender-Mobile/dp/B00FQR6G64>
- Factoring: The Law and Practice of Invoice Finance, By Freddy R. Salinger
- Trade and Receivables Finance, A Practical Guide to Risk Evaluation and Structuring, Stephen A Jones, 2018