CONTENTS

About the author xi
Preface xii
Acknowledgments xiii
List of abbreviations xiv

01 The relationship between the bank and the customer 1

Introduction 1

Learning objectives 1

Defining small- and medium-sized enterprises (SMEs), mid-sized

businesses and micro-enterprises 2

The legal categorization of business customers 4

The banker/customer relationship 12

Chapter summary 25

Objective check 26

Further reading 26

References 26

Legal case references 27

Suggested answers for activities 27

Suggested answers for case study questions 28

02 The financial analysis of businesses 29

Introduction 29

Learning objectives 29

Learner introduction to accounting 30

The origins of accounting 30

The rationale for the analysis of financial information 31

Annual accounts, management information and projections 31

Key ratio analysis 42

The use of financial ratios 53

Financial and non-financial information 62

Chapter summary 63

Objective check 63

Further reading 64

References 64

Suggested answers for activities 64

03 Cash analysis 67

Introduction 67

Learning objectives 68

Working capital, historical movements and the impact on cash 68

Cash flow projections 75

The use of earnings before interest, tax, depreciation and

amortization 89

Cash flow available for debt service 94

Overtrading 101

Chapter summary 103

Objective check 104

Suggested answers for case study questions 104

Suggested answers for activities 105

O4 How to structure a lending proposition 106

Introduction 106

Learning objectives 106

Credit risk 107

Key components of a lending proposition 114

Making decisions! 135

Chapter summary 135

Objective check 136

Further reading 136

References 136

Suggested answers for case study questions 137

Suggested answers for activities 138

O5 The strategic analysis of business 142

Introduction 142

Learning objectives 142

What is strategy? 143

Strategic tools 145

Stakeholders 161

Sectors 164

Chapter summary 173

Objective check 173

Further reading 174
References 174

Suggested answers for activities 175

Suggested answers for case study questions 176

O6 Securities for lending 177

Introduction 177

Learning objectives 178

The importance of security 178

What makes good security? 179

Different types of charge 182

Limited company security 183

Real estate (property) 188

Guarantees 191

Personal security 198

Valuation of security 201

Discounting factors 206

Realizing security 208

Chapter summary 209

Objective check 210

Further reading 210

References 210

Legal case references 210

Suggested answers for activities 211

07 Lending products 213

Introduction 213

Learning objectives 214

Lending products 214

Asset based lenders 226

What happens when the bank says no? 227

Where else can businesses find funding? 229

Alternative funding 234

International trade finance 237

Chapter summary 242

Objective check 243

Further reading 243

References 243

Suggested answers to case studies 244

08 Management and leadership 247

Introduction 247

Learning objectives 247

Assessing management 248

The relationship between bankers and business management 248

What is management? 257

What are the key skills that management require - or, what's in the

toolbox? 258

Entrepreneurs 266

Chapter summary 271

Objective check 271

Further reading 271

References 272

09 Businesses facing financial difficulties 273

Introduction 273

Learning objectives 274

How do businesses get into financial difficulties? 274

What are the routes a business might take to remedy

challenges? 281

What are the choices and options facing the lending banker and

how does it protect itself? 283

Insolvency 287

Insolvency processes 291

The banker as a shadow director 305

Chapter summary 306

Objective check 306

Further reading 307

References 307

Legal case references 307

Suggested answers for activities 307

Glossary 309

Index 323