



**Philadelphia University**  
**Faculty of Administrative and Financial Sciences**  
**Department of Banking & Finance**  
**The First semester, academic year 2016-2017**

<u>Course syllabus</u>	
<b>Course title: Credit Risk Management</b>	<b>Course code: 0320441</b>
<b>Course level: Fourth year</b>	<b>Course prerequisite: Financial Analysis 320413</b>
<b>Lecture time:</b>	<b>Credit hours: 3</b>

<u>Academic Staff Specifics</u>				
Name	Rank	Office number and location	Office hours	E-mail address

**Course- Model description:**

Course credit risk management is compulsory and advanced degree in Banking and finance requirements . This course deal with the review of credit risk on the banking and trade credit level . Traditionally , lenders faced credit risk in default by borrowers, and fill those, the credit risk remain of major concern to lenders and on a global scale . so till lenders should know more about the subject of credit worthiness of borrowers, allowing the to maximize profits and increase the market value of their shares by reducing the risk, as well us reduce the financial reserves allocated to address the bad debt opportunities. So it is important that the students recognizes the appropriate framework to reduce credit risk and sound rules that require taken into account when building the portfolio of credit . This course provides the students the foundation for understanding the process of credit risk management in order to give them the ability to discuss the details of the various aspect relating to the analysis of credit risk and credit rating problems and methodology of base II to reduce the credit risk .

## **Course Objective :**

1. Provide students with the basic concepts related to the concept of risk and credit risk .
2. Introduce students to trade and banking credit risk and methods of warning of such risk and criteria to measure identify the reason of occur and how to address it .
3. Providing students with sound knowledge of the criteria and practices required in granting of credit .
4. Help student to get knowledge and skills in credit risk management .
5. Enable the students to use various techniques (methods ) that help reduce the risk of both banking and trade credit .

## **Course Components :**

### **Books:**

- Credit risks management (2002) , Khalid ameen Abdullah, translator. BPP financial publisher, BPP House , Aldine place, London .

### **Subsiding References :**

- Modern trend in the financial and credit analysis (2003), Mohamed MUTTAR. Dar wael for publishing , Jordan .
- Credit management (2004), abdul muti ershaid and mahfouth joda, dar wael for publishing , Jordan .
- Risk management in banking (2002) , 2ed , john willy and sons ltd , England .
- Credit risk analysis (2006) , ciby joseph , MC Graw-Hill )

### **Supporting Material :**

Videos, Present practical cases .

### **Teaching methods:**

Lectures, discussion groups to resolve Problems , and others .

### **Learning outcomes :**

Scientific knowledge and understanding :

1. Knowledge and understanding :  
After the students finished the requirement , of the study of this course he will be able to :
  - The use of credit analysis to determine the status of borrowers .
  - Discrimination and verification of loans problems .
  - How to develop a combination of loans ( credit portfolio ) in order of priority .
  - Adoption of a systematic credit risk rating .
  - Understand the various techniques (methods ) to manage the portfolio of credit risk .
  - Learn how to choose the suitable model for measuring credit risk .
2. Cognitive skill and simulation ideas :  
Students realize the importance of credit risk and its impact on the credit situation of the bank .
3. Communication skills ( personal and academic )
  - Student interact with- professor e- mail .
  - Skills acquired from practice ( practical skill) related to the course and profession in addition to hosting the visitors from the bank to give lecture during the practical side of specialization
4. Assessment tools :
  - Short reports and / or presentation, and / or research project short (students are distributed into groups .

- Quizzes ( students are required to submit two short examination at least throw the semester.
- Homework and solving examples within the lecture .
- Final examination

<b><u>Allocation of Marks</u></b>	
<b>Assessment Instruments</b>	<b>Mark</b>
First examination	<b>20</b>
Second examination	<b>20</b>
Final examination	<b>40</b>
Reports, research projects, quizzes, homework, Projects	<b>20</b>
Total	<b>100</b>

### **Documentation and academic honesty**

- Documentation style (with illustrative examples).
- Protection by copyright
- Avoiding plagiarism.

### **Course Syllabus :**

<b>week</b>	<b>Subject</b>	<b>Homework/reports and their due dates</b>
<b>(1)</b>	<b>Introduction to credit risk managements:</b> <ul style="list-style-type: none"> <li>- The main risks faced by banks</li> <li>- The concept of trade credit risk</li> <li>- The concept of bank credit risk</li> <li>- Tow – way nature of risk</li> <li>- Practical steps in the study of credit application ( substrates credit decision )</li> <li>- Elements of credit decision ( principles of lending )</li> </ul>	<b>Cases for discussion</b>
<b>(2)</b>	<b>The main types of risks faced by banks :</b> <ul style="list-style-type: none"> <li>- Credit risk sources</li> <li>- Liquidity risk</li> <li>- Market risk</li> <li>- operational risk</li> <li>- Legal risk</li> <li>- Reputational risk</li> <li>- How to restrict bad debt</li> </ul>	<b>Library activity</b>

(3)	<b>Trade credit risks :</b> <ul style="list-style-type: none"> <li>- The reasons of trade credit risk .</li> <li>- Trade credit limit</li> <li>- Assess of creditworthiness for firms</li> <li>- Assess of creditworthiness for clients</li> <li>- The credit analysis for supplier</li> </ul>	<b>Case for discussion /or problems to solve/ homework</b>
(4)	<b>Trade credit management cycle :</b> <ul style="list-style-type: none"> <li>- Stages of the credit cycle</li> <li>- Accelerate the credit cycle</li> <li>- Deferred sales financing</li> <li>- Payment owed unpaid and methods of treatment .</li> <li>- Credit rating for clients .</li> <li>- Bad debt and write – off stage</li> </ul>	<b>Quiz(1)/ case study / home work</b>
(5)	<b>The general framework for the management of credit risks in banks :</b> <ul style="list-style-type: none"> <li>- The concept of risk management in the banks .</li> <li>- Building for the management of credit risk , the general framework ( credit policy and strategies – organizational structure )</li> <li>- Classification of credit risk .</li> </ul>	<b>Case study</b>
(6) <b>First examination</b>	<b>Regulate the activities of credit and control :</b> <ul style="list-style-type: none"> <li>- The responsibility of credit decision .</li> <li>- Performance reporting credit officer</li> <li>- Credit period of preparation and control</li> <li>- Debts owed reconstruction reports</li> </ul>	<b>Review the topics of the exam</b>
(7)	<b>Bad loan management :</b> <ul style="list-style-type: none"> <li>- The concept of non- performing loans</li> <li>- Domestic and international studies about the causes of non- performing loans</li> <li>- Reasons and justification for non- performing loans occurrence.</li> <li>- How to address with non- performing loans</li> </ul>	<b>Case study</b>
(8)	<b>Elements of credit risk management</b> <ul style="list-style-type: none"> <li>- The importance of credit control</li> <li>- Stages of credit control</li> <li>- The elements of credit control</li> <li>- Effects on credit management</li> </ul>	<b>Problems to solve</b>

(9)	<b>Rating firms – Business Risks :</b> <ul style="list-style-type: none"> <li>- Method of analysis</li> <li>- Analysis skills</li> <li>- Business firms evaluation</li> <li>- Evaluation firm strategies</li> <li>- Strategic Environmental Analysis (SWOT)</li> </ul>	<b>Quiz(2) / home work</b>
(10)	<b>Credit analysis :</b> <ul style="list-style-type: none"> <li>- Importance of credit analysis</li> <li>- Stages of credit analysis profitability analysis and pricing of loans .</li> <li>- Credit risk analysis ( Debt ratios and risk of leverage</li> <li>- Analysis of working capital , liquidity , operating and cash cycle risk .</li> </ul>	<b>Case study and problems to solve</b>
(11) Second examination	<b>Analysis of cash flow and its relationship to the credit analysis :</b> <ul style="list-style-type: none"> <li>- Cash flow from operation, priority , optional and financial and their relationship operations to financial failure</li> <li>- Operating cash flow and firms operations</li> <li>- Financial risk analysis ( ratios of leverage , time interest earned and debt ratios )</li> </ul>	<b>Review the topics of the exam</b>
(12)	<b>Models predict financial failure in firms :</b> <ul style="list-style-type: none"> <li>- Aspects of financial failure ( economic aspect, financial aspects )</li> <li>- Altman model (z-score )</li> <li>- Argenti model (A- score )</li> <li>- Sherrord model</li> <li>- Admister model</li> </ul>	<b>Case study + problem to solve</b>
(13)	<b>Measuring of credit risks :</b> <ul style="list-style-type: none"> <li>- Credit risk control</li> <li>- Risk and return</li> <li>- Clients rating and distinguish them</li> <li>- The wrong of credit decision and client deceiver</li> <li>- Measurement of risky assets</li> <li>- Credit limits policy</li> <li>- Decadence credit</li> </ul>	<b>Case study + problem to solve</b>
(14)	<b>Basel convention II :</b> <ul style="list-style-type: none"> <li>- Basel concept</li> <li>- Basel II objective</li> <li>- Differences between basel I and basel II</li> <li>- The main determinants of the basel II.</li> </ul>	<b>Case study</b>

<b>(15)</b>	<b>Credit classification system by scoring</b> <ul style="list-style-type: none"> <li>- The concept of credit scoring system</li> <li>- The use of credit scoring system</li> <li>- Bank benefit from the use of systems credit rating scoring</li> <li>- Factors specified in credit scoring system in order to reach the proper decision</li> </ul>	<b>Case study + problem to solve</b>
<b>(16)</b>	<ul style="list-style-type: none"> <li>- Credit insurance :</li> <li>- The concept of credit insurance</li> <li>- The importance and benefits of credit insurance</li> <li>- Coverage available through insurance policy on credit .</li> </ul>	

**The Expected time to study :**

The student needs to study and preparation of equal to two hours for each lecture of the fifty minute class.

**Attendance policy( consistently):**

The absence from lectures shall not exceed 15% . students who exceed the 15% limit without approved a medical or emergency excuse acceptable and approved by the Dean of faculty shall not be allowed to take the examination and shall receive a mark of zero for the course .

**Course references:**

- Modern trend in the financial and credit analysis (2003), Mohamed MUTTAR. Dar wael for publishing , Jordan .
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- Risk management in banking (2002) , 2ed , john willy and sons ltd , England .
- Credit risk analysis (2006) , ciby joseph , MC Graw-Hill )

**Data Bases:**

- [www.google.com](http://www.google.com)
- [www.Ayna.com](http://www.Ayna.com)
- [www.Amazon.com](http://www.Amazon.com)