

## ***Quick Hits***

*Quick Hits* are 60 minute online training modules, usually an extension of a specific *Credit Refresher*, that include five multiple choice questions to test for mastery of the material.

The *Quick Hits* are designed for relatively new analysts and lenders – as well as for experienced analysts and lenders, as appropriate – who need to explore the essentials of a specific credit issue.

**0.5 Connections for Members**  
**\$75 for non Members**

### **Business Income Tax Returns...where's the beef?**

- Explores the purpose, information content, use and limitations of business income tax returns for all business organizations – Subchapter C corporations, Subchapter S corporations, partnerships, limited liability companies, and sole proprietorships – in assessing borrower risk.

### **Business Profit...is profit really profit?**

- Explores the purpose and role of distributions and loans to shareholders in attempting to assess actual business profit – if converted to cash – available to service interest-bearing debt.

### **Cash Flow Snapshot...what really happened?**

- Explores the differences between net income + depreciation and an actual operating cash flow statement, as well as the importance of properly identifying the borrowing causes and repayment sources.

### **Credit Write-Up...form over substance or substance over form?**

- Explores the credit write-up, or underwriting memorandum, with special focus on the four fundamental issues that must invariably be addressed and assessed – the borrowing causes, the likely cash sources of repayment, risks to the likely repayment sources, and risk mitigants.

### **Estimating Debt Capacity...operating profit or cash flow...or both?**

- Explores the process and computations necessary to estimate a borrower's capacity to properly service both short and long-term interest-bearing debt from operating profit and subsequent cash flow.

### **Market Value vs. Net Operating Income...existing or "what if" cash flow?**

- Explores the concepts, methodology, and critical assumptions of the income capitalization approach to establishing market value and the use and misuse of stabilized NOI – or stabilized cash flow – in the credit decision process.

### **Related Party Cash Flow...where's the cash cow?**

- Explores the cash flows among and between related companies with common ownership and among and between the related companies and the owners as well as identifies likely pressures on future cash flows and debt service capabilities.

## *Quick Hits*

### **Revenue Recognition and Cash Flow...cash flow without revenue or revenue without cash flow?**

- Explores the transactions and associated accounting conventions that impact critical balance sheet accounts – such as customer deposits, deferred income, billings in excess of costs and profits, and costs and profits in excess of billings – in the process of recognizing revenue and determining cash flow.

### **Stress Test for Income Producing Properties...stress test to cash flow or market value?**

- Explores three common break-even measures with a primary focus on testing how far vacancy rates can increase before net operating income – cash flow – falls to the level of existing debt service on an income producing property, along with a review of the property-specific elements in the applicable capitalization rate.

### **Subprime Business Loans...subprime mortgage loans in disguise?**

- Explores and assesses commonly used and generally popular commercial loan underwriting standards that, if applied consistently, may result in subprime business loans, especially in a difficult economic environment.

### **The ABCs of Cash Flow...cash is king!**

- Explores the concepts, principles, and mechanical process required to properly construct the Uniform Credit Analysis (UCA) cash flow statement, as well as examine the information content of the UCA cash flow statement in identifying borrowing causes, cash sources of interest-bearing debt service, financing requirements, and sources of financing for a borrower or prospective borrower.

### **Working Capital or Cash Flow...is working capital really cash flow?**

- Explores business forces that drive and determine changes in working capital and examine whether changes in working capital provide clear signals about a borrower's ability to service interest-bearing debt from operating cash flow.