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# BANKING ON STUDENTS

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## ABSTRACT

*This paper describes the creation of a new sequence of elective banking courses developed by a team of faculty members and senior officers from the local banking community. These officers represent local, regional, and super-regional financial institutions. The course content was organized to better prepare finance and economic students for careers in banking.*

*The program uses active learning processes to develop critical thinking while acquiring skills specific to a given career. The first course is taught in a traditional lecture format and serves as a prerequisite for the other courses. The second course is experiential in nature; class meetings are held in different bank offices and are led by an officer from that bank. The class meetings have predetermined topics and the banker leading the class is expected to discuss not only theory but application and examples drawn from personal experience. The second course also models real-world experience through the use of a bank simulation in which students groups direct their own bank in competition with other students. The final course in the sequence is a formal summer internship modeled after the employee training programs that each bank provides its own employees.*

## INTRODUCTION

It all started over dinner. Greg Gonzales, the Tennessee Commissioner for Financial Services (and an alumnus of Tennessee Tech) had been on campus in early October 2007 to speak to classes about the current state of banking and financial services. We were finishing the day with dinner at a local restaurant. Over pasta, we discussed the significant number of our students that enter the banking and financial services industry upon graduation and how the current TTU curriculum offered only a single elective banking course. Greg wondered aloud if that was enough; after further discussion, we decided that more needed to be done. That left us with figuring out how to do it.

## ACADEMIC ISSUES

Was adding yet another course that provided more rigorous focus on maximizing shareholder value something that was in the best interests of our students? Would local banks find those skills most valuable, or was there something else? In thinking about how to best prepare our students, we even began to doubt what we considered “learning”. The students we

had in mind had already accumulated credit hours in the course Money and Banking (Econ 3320), a course required of all business students that provides an overview of the U.S. financial system and a second course, Commercial Banking (FIN 4610), a senior finance elective focusing on commercial bank operations. In thinking about the next best course for our students, we began to realize that these students were not “blank slates” upon which we could write additional knowledge. These students were going to bring their own backgrounds and experiences to the course, and we would essentially be altering what was already on the slate.

Our thoughts about this possible new direction in our curriculum were part of changes that were already happening at TTU and on many other college campuses. Several years ago, as part of the accreditation process by the Southern Association of Colleges and Schools (SACS), Tennessee Tech University was required to produce a Quality Enhancement Plan (QEP). After a lengthy process of defining its vision and mission, the university examined a large collection of assessment data, and identified several areas of weakness.

One area of assessment involved surveys of employers to identify what skills they thought were important, and if our students demonstrated competency in those skills. The surveys revealed that the five most important skill areas for employers were problem solving, communication, teamwork, learning skills, and critical thinking. This was more generally confirmed in later research by Rutgers University for the New Jersey Higher Education Commission, which revealed that employers of those with bachelor’s degrees consider critical thinking and problem solving to be two of the five most important factors for success in employment. Employers were then asked to rate the abilities of our students. They rated our students very highly for teamwork, ethics, and technical skills. The three areas where our students seemed to score lowest were communication, critical thinking, and problem solving.

It was glaringly obvious that although employers gave our students high ratings for their technical skills, those skills were not important to employers. Even more obvious was that faculty members were apparently unaware of this discrepancy. TTU uses the IDEA teaching evaluation system developed at Kansas State University in formal student evaluation of instruction. Because of the diversity of courses offered by the university, not all courses have the same objectives. In order to accommodate these differences, the course objectives are selected by instructors. Over 60% of faculty chose “gaining factual knowledge”, “learning principles or theories”, and “learning to apply course material” as their essential or important objectives for their courses. Less than a third chose “teamwork”, “communication”, or “critical thinking”.

Another part of the assessment was to compare our students with those at other universities. The administration of the National Survey of Student Engagement (NSSE) revealed that, at least in the minds of our students, our courses emphasized memorization and rote retention of factual information significantly more often than those at comparable institutions. We were also lower than the national average in our contribution to effective communication skills and in student contributions to the welfare of our communities. Anecdotal evidence from focus groups with our faculty led to the conclusion that our students have trouble with

transferring knowledge to problem-solving, critically evaluating information, dealing with complex real-world problems, and creating approaches to new problems.

Using these results, TTU developed its QEP. The plan called for improving students' critical thinking/real-world problem solving skills through the use of active learning strategies with emphasis on communication skills, teamwork skills, and creative thinking. To motivate faculty adoption and to monitor progress, the University initiated a program of small grants to facilitate course redesign and implementation. In addition, the outstanding QEP at the University is recognized annually.

We began to explore the possibility of using active learning in our new courses. Many of us open our lectures with the statement that management is part science and part art. We then proceed to teach our courses as if business is totally science. Management courses tend to be text-driven and discursive; the knowledge is presented in a linear sequence. Almost all of the time spent in management courses is about conveying information, the exception being exams and papers in which students demonstrate how much of the conveyed information they have retained. Art courses, on the other hand, are experiential in nature, not text-driven. Art courses tend to spend most of their time on student expression and demonstrated skills. The learning is active rather than passive, and has a repetitive, recursive, component.

In order for active learning to improve our students' ability to think critically, communicate effectively, think creatively, and solve real-world business problems, then the learning environment must closely resemble the application environment (Bransford et.al., 2000). Effective strategies for classroom active learning include problem-based learning, simulations, case-based learning, and service learning (Braun, 2004; Muir, 1996; Springer and Borthick, 2004). Active learning has also been shown to improve student motivation (Cheung, Rudowicz, Kwan, and Yue, 2002). But before choosing which of these active learning strategies would be appropriate and how to include them in the course, we decided to consult with members of the banking community.

## **BANKER DISCUSSIONS**

The Tennessee Tech University College of Business Mission Statement emphasizes creative teaching and learning techniques, applies scholarly inquiry to real business questions, and provides service to the profession. To better accomplish our mission, we seek to involve our constituents in these endeavors. As we began the process of augmenting our banking curriculum, we turned to our local bankers.

The banking industry in Cookeville is highly fragmented with local branches of super-regional, regional, and banks headquartered in the Upper Cumberland. No one institution dominates the market. We are fortunate to have alumni and other constituents in management positions in all of the banks. Using this strength, we invited senior management from the institutions to a Friday lunch (delivered pizza, soda, and packaged cookies) meeting to discuss the current state of banking and, more importantly, the skill set required of people entering the

financial services field. The ultimate purpose of the meeting was to determine (1) if additional banking courses needed to be added to the curriculum (2) what subject areas needed to be included in the new courses, and (3) what other activities were needed to better prepare our students for employment in the banking industry.

Our first meeting took place in mid-November 2007. Surprisingly, senior managers from all twelve of the invited banks attended. We began by distributing a syllabus from the existing course and giving a brief overview of the course goals and desired outcomes. We then began the discussion of what else was needed.

The first major task was the clarification of the ultimate goal of the new course. The bankers agreed that the purpose of the additional course was to make the economics/finance major more attractive to the industry because of the specialized skill set gained from the class.

Another suggestion was to open the sequence of courses to all business majors. The bankers reminded us that the banking industry also hires students with accounting, information systems, marketing, and management backgrounds. The group agreed that this sequence would be a good way to attract those individuals to the industry.

One of the bankers suggested the use of a banking simulation as a primary component of the third course. Many of the attendees had attended the LSU Graduate School of Banking and unanimously agreed that the use of the simulation had greatly improved the learning process. The use of the simulation with lectures prepared by the bank managers was proposed as a way to add practical examples to the course. This incorporation also would provide problem solving and critical thinking opportunities for our students. We faculty members immediately recalled the QEP's recommendation of simulation use as a component of active learning.

A concern of several of the group was the need for a flexible and dynamic course to reflect current conditions in the marketplace. The group felt that this was paramount in the new course development given the changing nature of the industry. They believed that a "shell" of major areas of emphasis was the best way to accomplish this; the individual class meetings could reflect current situations in the areas of emphasis.

Unexpectedly, one of the bankers suggested that a formal 8-12 week summer internship program for additional experience would be desirable. The other bankers unanimously agreed; they offered to work together to develop a competitively awarded paid internship program at the represented banks. The internship program would allow students to observe and be a part of the different areas of the modern commercial bank including consumer, mortgage, and commercial lending, money management, etc. We have to admit that we did not envision their willingness to develop such a program; of course, we wasted no time in making the formal internship the fourth course in the sequence.

We met again with the group in February and April 2008. These meetings allowed the bankers to review, discuss, and suggest modifications for the new syllabi. It also gave us the opportunity to more closely tailor course goals to the desired skill set.

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## COURSE SEQUENCE

The resulting course sequence that we developed in concert with the bankers was the product of the series of lunch meetings, telephone conversations, and e-mails. We found that the process was dynamic rather than static; the third course and internship course materials and requirements were refined and augmented as the courses were offered. During the course design process, we applied for and received a QEP grant from the University (the QEP application may be found in Appendix 1).

The existing courses that serve as the starting point of the course sequence are Money and Banking and Commercial Banking. Our process with the bankers left these courses largely untouched. Money and Banking is offered each semester as part of the business core. Commercial Banking is offered in the fall semester as a senior-level finance elective. Before enrolling in Commercial Banking, students are required to complete the Money and Banking course. The students in the Commercial Banking course have typically been finance majors (with a few accounting majors) in their final year of study. This elective is a traditional commercial banking course including topics such as asset/liability management and management of sources and uses of funds.

The first new course (the third course in the sequence) debuted in January 2009. As shown in the syllabus, the course was structured around the Banrisk Commercial Bank Simulation. The simulation uses student team financial decisions and randomly-selected economic conditions to generate bank operation outcomes. Students are required to set financial performance objectives, make operating decisions, and evaluate the outcomes from these decisions. The program emphasizes the interconnected relationship of decision outcomes and shows how the economic environment can affect financial performance. A typical class meeting consisted of a lecture by one of the banking executives on that week's simulation chapter (either on campus or at their bank), a review of the outcomes of previous simulation decisions, and the submission of the week's simulation inputs.

The initial round of formal internships was scheduled for May 2009. Following the financial meltdown, the bankers asked to postpone the formal program until May 2010. However, several of the banks hired summer internship students from the third class. This actually worked out better for the sequence since it allowed us to observe the students' progress through the initial internship schedule and make adjustments to better reach both the banks' and students' outcome goals. The course syllabi for the four courses may be found in Appendix 3.

## OUTCOMES

Commercial Banking was offered during the fall semester 2008 on Wednesday evenings from 6-8:40 PM. This is the usual time slot for the course. 27 students enrolled in the course. The IDEA course evaluations were fairly consistent with past evaluations of the course; the

instructor overall rating was 4.2 (on a 5-point scale) as was the course rating. The average grade point for the course was 2.7, slightly lower than the individual student average of 2.8.

Advanced Commercial Banking was offered during the Wednesday night time slot during the spring semester 2009. Given the more specialized nature of the course, 10 students enrolled. The students were of higher academic quality (2.9 overall average GPA); the average GPA for the course was 3.8. It is interesting that two of the students were Korean exchange students spending the spring semester at TTU. The instructor overall rating was 4.5; the course rating was 4.0. Anecdotal evidence (from student comments) suggests that the higher instructor rating was due to the individual banking executive expertise in their lectures. The lower overall course evaluation was primarily due to the difficulty of implementing the Banrisk simulation for the first time. Table 1 shows the student GPA, course GPA, instructor IDEA rating, and course IDEA rating for Commercial Banking and Advanced Commercial Banking for the 2008-2009 academic year.

<b>TABLE 1</b> <b>STUDENT, COURSE, AND INSTRUCTOR GPA AND IDEA RATINGS</b> <b>COMMERCIAL BANKING AND ADVANCED COMMERCIAL BANKING</b> <b>2008-2009</b>		
	COMMERCIAL BANKING	ADVANCED COMMERCIAL BANKING
ENROLLMENT	27	10
STUDENT GPA (AVERAGE)	2.8	2.9
COURSE GPA AVERAGE	2.7	3.8
INSTRUCTOR IDEA RATING	4.2	4.5
COURSE IDEA RATING	4.2	4.0

As part of Tennessee Tech's QEP grant, the Center for Assessment & Improvement of Learning conducted a pre- and post-survey of student perceptions of critical thinking in the Advanced Commercial Banking Class. Students were given the baseline survey on the second meeting of the course and were asked to rank their perceptions of the "typical course" on 20 measures. The same questions were asked at the final class meeting, this time asking the students to rank their perceptions of "this course". Due to the proprietary nature of the survey and restrictions on research on human subjects, the complete survey instrument cannot be included in this paper. We therefore report survey results by category of question. Although the questions predominantly focus on critical thinking, they also rate problem solving, communication, and teamwork. Table 2 shows the pre- and post-course survey results by category of question.

As shown in Table 2, student answers changed (as measured by statistical significance) on only three of the twenty questions. The Center director and staff believe (and we concur) that

the lack of significant differences in the pre- and post-survey results were primarily the result of the nature of the survey questions. In addition, we believe that the students primarily rated the effectiveness of the simulation rather than the total experience of the overall course.

<b>TABLE 2</b> <b>STUDENT PERCEPTIONS OF CRITICAL THINKING, PRE- AND POST-COURSE SURVEYS,</b> <b>T- STATISTICS OF DIFFERENCES IN MEANS</b>		
CATEGORY OF QUESTION	NUMBER OF QUESTIONS	NUMBER STATISTICALLY SIGNIFICANT
CRITICAL THINKING	11	1
PROBLEM SOLVING	4	1
COMMUNICATION	1	0
TEAMWORK	3	1

Three students in the class were selected to intern at banks for summer 2009; one student interned at a local bank while the other two interned at local branches of super-regionals. Given the economic environment and the state of the financial industry at the time, we were pleased that the students were afforded this opportunity. The students rotated through several of the banking areas including lending, customer service, and financial services. Although the banks exposed the students to multiple banking areas, each institution was given the freedom to place the student in areas that they thought would be most beneficial to the bank and the students. The students and the bank officers were pleased with their progress. Students participating in the internships were subsequently hired by their respective banks. The students agreed that the knowledge and experience gained from the new course and internship better prepared them for careers in banking. The bankers were of the same mind; not only were the students' knowledge of financial services better than their usual applicant, the internship in effect gave the bank the opportunity for a multiple-week interview with concurrent training experience.

## CONCLUSION

This paper details the development and institution of a third and fourth commercial banking course for business students at Tennessee Tech University. The idea, the seed of which was planted in a dinner conversation one evening, has not only allowed our students to be better prepared for a career in the banking industry but has also strengthened our relationship with a group of key College stakeholders. In addition, the new courses directly reflect the academic movement toward active learning and provide our constituents the opportunity to be directly involved in curriculum development. Both the students and bankers believed that the new courses better prepared the students for a career in banking and the financial services industry.

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APPENDIX 1

## THE ENHANCEMENT OF STUDENT CRITICAL THINKING AND REAL-WORLD PROBLEM SOLVING SKILLS THROUGH NEW BANKING ELECTIVES

Name: Dr. Bob Wood, Dr. Steve Isbell, Dr. Ken Wiant; Unit: College of Business

Goal:

A significant number of graduates of the TTU College of Business begin their employment with a local, regional, or national bank. Financial industry leaders indicate an increasing need for graduates skilled in critical thinking and real-world problem solving. This proposal develops and delivers a three-course sequence that will be specifically designed to give students the opportunity to enhance critical thinking skills that focus on real-world issues in the banking industry. Course requirements will use active learning strategies emphasizing communication and teamwork. The course series will require students to form groups that simulate bank officer and executive teams and make a series of tactical and strategic decisions employing *The Stanford Bank Game* simulation. This simulation is currently used both in the financial services industry and leading academic programs to develop managerial skills necessary for success in the international banking environment. The third course in the sequence is structured as a paid internship that will place students in an Upper Cumberland financial institution. This internship will further develop critical thinking, problem solving, and communication skills in a real-world setting.

Relationship to Potential QEP Focus:

- Improvement of students' critical thinking/real-world problem solving skills using active learning strategies.
- Improvement of students' critical thinking/real-world problem solving skills emphasizing communication and interpersonal skills.
- Improving students' critical thinking/real-world problem solving skills with emphasis on teamwork skills.

Action Plan:

A Banking Advisory Board composed of senior area bankers from local, regional and national financial institutions will be created to discuss, recommend, and develop areas of curricular emphasis and structure, internship development and assessment. The first course in the three-course sequence, Commercial Banking, is currently offered. The Board will review the current topical coverage of the course and recommend necessary changes. The second course, Financial Institution Management, will emphasize the role of critical thinking and real-world problem solving by utilizing the banking simulation to illustrate cause and effect in a realistic bank setting. In addition, the simulation represents a case-based/problem-based active learning environment that requires both teamwork and communication skills. The third course, Banking Internship, is a structured internship with specific objectives and measurable outcomes. The internship will be developed in consultation with the Board, and will provide the student a service-learning opportunity to deal with real-world problem solving and communication skills.

Method of Assessment:

Banking simulation reports and pre- and post-simulation assessment  
 Internship evaluation by banking institutions  
 Student papers relating learning experiences in the internship  
 Biannual Board meetings to assess program outcomes and discuss any program augmentation needs  
 Measurement of the number of program participants employed by banking institutions

Faculty and Student Participants:

Instructional participants include TTU College of Business faculty and area banking industry executives. Internship supervisory and evaluative participants will include TTU College of Business faculty and area banking executives. The course sequence will be open to all majors with an interest in a career in banking.

Project Completion Date: August 2009

Dollar Amount Requested:

The total funding request of \$1200 includes:

\$900 for the cost of the simulation for 30 students during the first year of implementation  
 \$300 for the cost of acquisition of practitioner-based banking journals by the TTU library

## APPENDIX 2

### **COURSE SYLLABUS: Money and Banking**

Prerequisite: Econ 2020

Course Objective: To acquaint the student with the basic elements of banking and monetary theory and how it relates to macroeconomic theory.

Text: <http://tumba.org/Throckmorton/Throckmorton.html>. It may be updated..

Course Description: Principles of money, banking, the financial system; the impact of money on economic activity.

Course Content:

#### Section 1

- Introduction
- Financial Markets and Institutions
- Interest Rates

#### Section 2

- Banking History
- Commercial Banking
- Legislation and Regulation

#### Section 3

- Deposit Expansion
- Federal Reserve System
- Monetary Policy Tools

#### Section 4

- Demands for Money and the Quantity Theory
- Classical Assumptions and GDP
- ISLM Model
- International Concepts

Teaching Method: Lecture, discussion, analysis of problems and concepts.

International Business Content: Chapter 13

Ethics Content: Throughout the course

Required Computer Applications: None

Attendance: Required

Evaluation: Four 100 point exams

### **COURSE SYLLABUS: FIN 4610, Commercial Banking**

Prerequisite: ECON 3320

Objective: The objectives of this course are to enhance your understanding of commercial banking including services provided, policies/regulations, organizational structure(s), financial management, and the process of lending money.

Text: *Commercial Banking Management, 6<sup>th</sup> ed.* by Peter S. Rose

Description: Banking is an essential industry, and, as a result, is highly regulated. At the same time, the definition of banking and banking services is continually changing. A thorough understanding of current and expected operational challenges is requisite for successful management in the highly international marketplace.

Content:

- (1) An Introduction to the Business of Banking
- (2) Asset and Liability Management
- (3) Management of Bank Sources of Funds
- (4) Providing Loans to Business and Consumers
- (5) Future Growth and Expansion Opportunities
- (6) Decisioning Business Loan Request (case work)

Teaching Method: Discussion, problem solving, and group work.

Oral and Written Communication: Class Discussion, cases, and written examinations

Ethics Content: Bank and Banker ethics, multicultural considerations

Required Computer Applications: Most calculations can be performed on a financial calculator. Students are encouraged to use spreadsheets problem solving and attentive.

Attendance: Attendance is the responsibility of the student. Tardiness is inconsiderate and unprofessional. Please make every attempt to be on time and attentive.

Evaluation:	Cases	33%	100 points
	Midterm Exam 1.....	33%	100 points
	Final Exam.....	33%	<u>100 points</u>
			300 points

### **FIN 4620 COURSE SYLLABUS, Advanced Commercial Banking**

Prerequisite: FIN 4610 (Commercial Banking)

Objective: This course focuses on the situations faced by senior commercial banking administrators. The Banrisk Commercial Bank Simulation allows student teams the opportunity to simulate the analysis and decision making process confronted by executive management teams.

Text: *Bank Management and Financial Services, 7th ed.* by Peter Rose and Sylvia Hudgins

Description: Commercial bank profitability; Interest Rate, Credit, Exchange, and Liquidity Risk management; Hedging; Off-Balance-Sheet position management

Content: (1) Bank Profitability

Interest Rate Risk Management

Credit Risk Management

Exchange Rate Risk Management

Liquidity Risk Management

Derivative Hedging Techniques

Off-Balance-Sheet Position Management

Strategic Bank Management

Teaching Method: Lecture, discussion, simulation

Oral/Written Communication: Class discussions, simulation reports, written examination

Ethics Content: Asset/Liability management ethics, multicultural considerations

Required Computer Applications: Banrisk Commercial Bank Simulation.

Attendance: Attendance is the responsibility of the student. Tardiness is inconsiderate and unprofessional.

Evaluation:	Banrisk Simulation Reports (12)	300 points
	BanRisk Term Paper	100 points
	Final Exam	<u>100 points</u>
		500 points

### **SCHEDULE**

#### **Session 1 INTRODUCTION**

Long-term Objectives and Strategies

Financial Performance Evaluation

Team Assignments and Responsibilities

#### **Session 2 SOURCES AND USES OF FUNDS**

Forecasting Commercial and Consumer Loan Demand

Forecasting Deposit Flows

Security Portfolio Design

\*\*\*Team Decision #1\*\*\*

#### **Session 3 BANK PROFITABILITY: NET INTEREST INCOME**

Income: Securities and Loans

Expense: Deposits and Purchased Liabilities

\*\*\*Team Decision #2\*\*\*

#### **Session 4 BANK PROFITABILITY: NON-INTEREST INCOME AND FEES**

Fee Income

Operating Expenses

\*\*\*Team Decision #3\*\*\*

Session 5	INTEREST RATE RISK: MEASUREMENT AND MANAGEMENT
	Gap Analysis
	Forecasting: Yield Curve Analysis
	***Team Decision #4***
Session 6	CREDIT RISK: MEASUREMENT AND MANAGEMENT
	Default Risk Exposure Analysis
	Credit Scoring Models
	***Team Decision #5***
Session 7	EXCHANGE RATE RISK: MEASUREMENT AND MANAGEMENT
	Currency Risk Measurement
	Country Risk Exposure
	***Team Decision #6***
Session 8	LIQUIDITY RISK: MEASUREMENT AND MANAGEMENT
	Reserve Management
	Purchased Liabilities
	***Team Decision #7***
Session 9	CAPITAL STRUCTURE
	BIS Capital Regulations
	Cost of Capital
	***Team Decision #8***
Session 10	HEDGING: FUTURES AND FORWARDS
	Gap Exposure Management
	Futures/Forwards Transactions
	***Team Decision #9***
Session 11	HEDGING: OPTIONS
	Gap Exposure Management
	Options Transactions
	***Team Decision #10***
Session 12	HEDGING: SWAPS
	Gap Exposure Management
	Swaps Transactions
	***Team Decision #11***
Session 13	OFF-BALANCE-SHEET POSITION MANAGEMENT
	Securitization
	Loan Sales
	***Team Decision #12***
Session 14	STRATEGIC MANAGEMENT
	Marketing and Advertising
	Human Resource Management
	Simulation Summary
	***Term Paper Due***
Session 15	FINAL EXAM

#### BANRISK COMMERCIAL BANK SIMULATION

The Banrisk Commercial Bank Simulation realistically simulates the operation of a commercial bank based upon (1) financial decision inputs supplied by teams of student bank managers and (2) a set of economic and competitive conditions reflecting financial characteristics in the economy. The simulation requires teams of students to evaluate the financial position and competitive condition of their simulated bank at the beginning of the contest, and then

- Establish financial performance objectives for the bank
- Execute operating decisions for the bank that achieve the desired objectives
- Evaluate the financial outcome of these operating decisions.

Each simulation team will be comprised of five or six students. The organizational structure and position responsibilities for each group member are outlined below. Decision inputs from each simulation team are due in class on the dates shown in the course syllabus. In order to conduct the simulation effectively, it is imperative that decision input forms be turned in on these dates. LATE INPUT FORMS WILL NOT BE ACCEPTED UNDER ANY CIRCUMSTANCES.

A primary Banrisk project objective is introduction and application of the techniques and methods of financial analysis of banking firms in a realistic setting. In addition, the simulation demonstrates the manner in which individual financial operating decisions within banking firms interact with one another, the effects of the economic environment on overall financial performance, and illustrates how different financial goals may be mutually exclusive. It also provides students with the opportunity to work in collaboration with others to establish financial performance objectives and identify and implement tactics designed to achieve these objectives in a structured environment where individual performance is judged according to the collective financial performance of the group. Finally, Banrisk enhances students' written communications skills by requiring a term paper describing the simulation experience.

Each student will receive two separate grades in connection with Banrisk Project activities. This section summarizes the content of each graded activity and the way in which each activity will be evaluated. The first will be a weekly summary report of current position and details of the decision making process in that week's activities. Each of the twelve reports is worth 25 points. Each team will also be required to submit a term paper detailing the goals, operating decisions, and financial performance of their bank at the end of the semester. Authorship of this report represents a group effort, with each respective group member having responsibility for specific sections of the report.

#### 1. Introduction

Analysis of the economic and competitive environment surrounding the bank at the start of the contest, followed by interest rate, inflation rate, and GNP growth rate forecasts for the coming quarter (Economist)

Analysis of the financial condition of the bank at the start of the contest:

Leading Area Report (VP - Lending)

Operations Area Report (VP - Operations)

Controller's Report (Controller)

Statement of the team's business definition, the corporate mission of the bank, and specific group financial goals established at the start of the contest (President)

#### II. Iteration #1 (4 pages)

#### 2. Iterations

Analysis of the economic and competitive environment surrounding the bank at the start of the quarter; a brief review comparing actual and previously forecast levels of interest rates, inflation, and GNP growth; and a new forecast for interest rates, the inflation rate, and growth in GNP for the coming quarter (Economist)

Analysis of overall financial performance from the preceding quarter; followed by a statement of financial objectives for the coming quarter, the management strategy being used to achieve these objectives, and the expected financial outcome of this strategy. This report should identify and explain any changes in the bank's business definition, corporate mission statement, or goals occurring since the last iteration; and link these changes to the financial objectives and operating tactics planned for the coming quarter (President)

Statement of area Lending tactics implemented this quarter, followed by an evaluation and explanation of the actual financial results that occurred during the quarter (VP - Lending)

Statement of area operating tactics implemented this quarter, followed by an evaluation and explanation of the actual financial results that occurred during the quarter (VP - Operations)

Controller's Report for this quarter, followed by an evaluation and explanation of the actual financial results that occurred during the quarter

#### 3. Conclusions

Summary and analysis of the bank's overall financial performance during the simulation (President)

Description of best management decisions (i.e., those actions which contributed most directly to the attainment of group goals) executed during the simulation

Economic Forecasting and Market Analysis (Economist)

Leading Area Report (VP - Lending)

Operations Area Report (VP - Operations)

Controller's Report (Controller)

Description of worst management decisions (i.e., those actions which contributed most directly to the attainment of group goals) executed during the simulation

Economic Forecasting and Market Analysis (Economist)

Leading Area Report (VP - Lending)

Operations Area Report (VP - Operations)

Controller's Report (Controller)

The team report required from each group represents 20 percent of each group member's final course grade. This report is to be typed, double-spaced, approximately 25 pages in length, and conform to the structural outline provided above. Research reports are due on the date shown in the syllabus. **LATE PAPERS WILL NOT BE ACCEPTED.** While the Banrisk paper requires a group effort, individual student grades for this project may vary across different members of a given bank team with the quality of each student's contribution to the paper. Each member of the Banrisk team is assigned specific position responsibilities (see the job descriptions shown below) and specific authorship responsibilities (see above). The position responsibility of each student within the group must be disclosed on the title page of the Banrisk report to facilitate the assignment of student project grades.

The financial performance of simulated banks will not affect students' grades for this assignment. Rather, student grades depend upon the quality of the group's written report. Many student teams that do poorly in the contest learn more about bank profitability, capital adequacy, liquidity, etc., than teams exhibiting superior financial performance. Hence, poorly performing teams often receive higher project grades. The quality of the Banrisk written reports will be evaluated according to the students' ability to establish clear, measurable financial objectives and define operating tactics that support these objectives, the students' ability to accurately evaluate the financial position of their simulated banks and the economic environment, and explain why specific simulation outcomes occurred, the students' ability to integrate the different position responsibilities within the project into a coordinated effort to reach collective group objectives, and the students' ability to communicate clearly in a formal, written manner the results of their simulation experience

The Banrisk simulation requires a collaborative effort. Similar to the business world, students must work together to achieve a collective goal, where the performance of the group depends upon the sum total of each individual team member's contribution to the group. Thus, each team member bears a responsibility to the group for the outcome of the project, and a single team member who fails to meet the group's expectations can ruin the performance (and affect the grade) of the entire group. In this circumstance, personnel management becomes a critical component within each Banrisk team. Coordinating the activities of different group members, resolving disputes between various individuals, arranging appropriate times and locations for team meetings, sanctioning group members who do not meet the performance expectations of the group, and rewarding members who surpass group expectations represent some of the activities that each team must manage. These personnel management responsibilities are controlled by student bank teams -- the instructor will not interfere in the organization, structure, and management of the Banrisk teams. As personnel managers, however, you must also have the authority to discipline and/or reward members of your group based on individual performance differences. In order to give you this authority, the contribution of each group member will be evaluated by other members of the group. Instructions will follow.

In order to help students save time and organize their simulated banks in an effective manner, the following listing provides a brief job description for each management position required in the Banrisk project, identifies the financial responsibilities associated with each position, outlines the location of financial data in the Banrisk computer printouts of most interest to each position, and identifies the mini-studies in the Banrisk manual that are most relevant to each position.

**PRESIDENT AND CHIEF EXECUTIVE OFFICER (CEO):** Determines general bank objectives; develops, integrates, and implements business strategy designed to achieve bank objectives; monitors overall profitability of bank; monitors bank stock price movement; and coordinates and controls all activities of the senior management team.

**ECONOMIST:** Monitors the financial, competitive, and economic environment surrounding the bank, forecasts financial trends in the banking environment, assesses competitive threats and opportunities within this environment, completes group decision forms on a timely basis, and maintain banks.

**VICE PRESIDENT OF LENDING:** Manages all aspects of the bank's loan portfolio, including commercial loans, commercial loan commitments, commercial letters of credit, consumer installment loans, credit card receivables, and mortgages.

**VICE PRESIDENT OF BANK OPERATIONS:** Manages all aspects of the bank's deposit acquisition activity, supervises personnel administration; and controls bank expansion/contraction activity.

**CONTROLLER/CHIEF FINANCIAL OFFICER:** Manages the bank's investment portfolio, recommends and implements gap management strategy, recommends and implements changes in bank capital structure, supervises trust and accounting activities, and administers corporate banking services (i.e., correspondent banking relationships).

### **FIN 4630 COURSE SYLLABUS Commercial Banking Internship**

**Prerequisite:** FIN 4620, permission of instructor

**Objective:** FIN 4630 is designed to provide the student with a practical experience and working knowledge of the commercial banking industry.

**Course Content:** Internship Procedures:

Internships are arranged via an interview process with the financial institution. Interviews will be coordinated through the Economics, Finance, and Marketing departmental office (JH 216).

An internship application form that includes a summary of the proposed internship should be submitted to the office to obtain prior approval. The internship information form will, among other things, be considered a learning contract among the student, the university, and the employer.

A performance evaluation from the internship employer is required. The performance evaluation may be a standard evaluation form used by the employer or a letter addressed to the faculty member administering the internship. The evaluation should be signed and dated by the person doing the evaluation and should indicate the approximate number of hours worked by the intern. If hours worked are not mentioned in the evaluation, the student must prove hours worked via some other means.

Interns are required to keep a weekly diary of both routine activities and major projects. The diary becomes the basis for the internship paper.

The typical internship paper is 15-20 pages in length. The formal paper should be well organized with major headings and subheadings to distinguish between topics in the paper. Papers are reviewed and suggestions for improvements may be made. Students may be required to revise internship papers and resubmit as needed. Papers submitted with extensive deficiencies are likely to result in the academic grade for the internship being lowered. In short, the paper must be polished and professional. The paper should include a discussion of:

The employer's history, major activities, services, and products.

How the student got the internship.

The activities performed on a day-to-day basis.

All major projects worked on during the internship.

How course work related to and/or helped with assignments.

How the work experience relates to, and or helps in, courses taken since returning to school.

Students may be expected to make an oral presentation concerning the internship experience to classes or student organizations.

The student must submit the internship paper, diary, and employer performance evaluation at least two weeks prior to the last day of the term.

At the conclusion of the internship, the student must complete an internship evaluation form.

At the conclusion of the internship, the faculty may phone the intern employer to discuss performance.

