Term Loan Interest Computation (W5)

[This version is superseded. Click here to view the latest guide.]

PURPOSE

This document explains how Term Loan interest is computed in the CS Lucas system.

WHY IS THIS IMPORTANT?

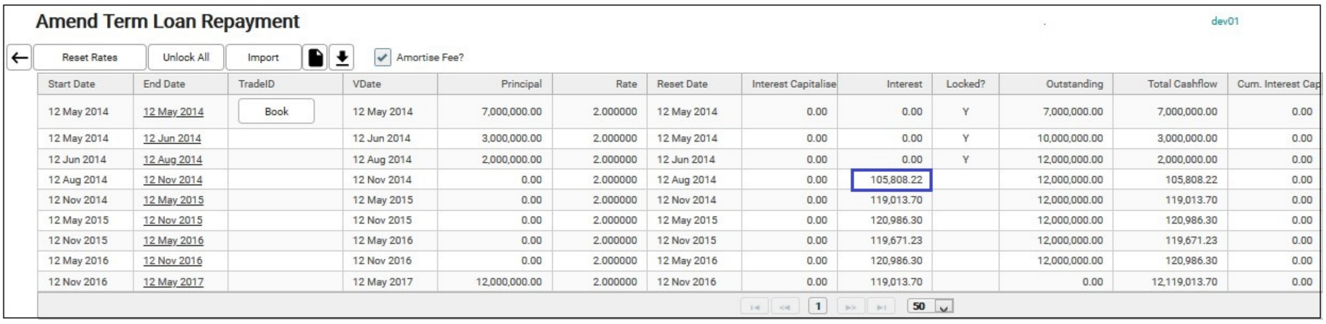
Term Loan interest computation has implications for the accounting instrument. It is important so that interest accruals can be generated correctly by the system at month end.

PROCEDURE

The following examples show how the system computes the interest amount based on 3 different scenarios.

Scenario 1: Multiple Drawdowns

When there are multiple drawdowns in the Term Loan repayment schedule, the system will calculate the next interest repayment amount between different periods based on the different outstanding principals. For example, there are 3 loan drawdowns on 12-May-2014, 12-Jun-2014, and 12-Aug-2014, the interest repayment amount on 12-Nov-2014 is calculated as below.


Amend Term Loan Repayment

dev01

Reset Rates | Unlock All | Import | Amortise Fee?

Start Date	End Date	TradeID	VDate	Principal	Rate	Reset Date	Interest Capitalise	Interest	Locked?	Outstanding	Total Cashflow	Cum. Interest Cap
12 May 2014	12 May 2014	Book	12 May 2014	7,000,000.00	2.000000	12 May 2014	0.00	0.00	Y	7,000,000.00	7,000,000.00	0.00
12 May 2014	12 Jun 2014		12 Jun 2014	3,000,000.00	2.000000	12 May 2014	0.00	0.00	Y	10,000,000.00	3,000,000.00	0.00
12 Jun 2014	12 Aug 2014		12 Aug 2014	2,000,000.00	2.000000	12 Jun 2014	0.00	0.00	Y	12,000,000.00	2,000,000.00	0.00
12 Aug 2014	12 Nov 2014		12 Nov 2014	0.00	2.000000	12 Aug 2014	0.00	105,808.22		12,000,000.00	105,808.22	0.00
12 Nov 2014	12 May 2015		12 May 2015	0.00	2.000000	12 Nov 2014	0.00	119,013.70		12,000,000.00	119,013.70	0.00
12 May 2015	12 Nov 2015		12 Nov 2015	0.00	2.000000	12 May 2015	0.00	120,986.30		12,000,000.00	120,986.30	0.00
12 Nov 2015	12 May 2016		12 May 2016	0.00	2.000000	12 Nov 2015	0.00	119,671.23		12,000,000.00	119,671.23	0.00
12 May 2016	12 Nov 2016		12 Nov 2016	0.00	2.000000	12 May 2016	0.00	120,986.30		12,000,000.00	120,986.30	0.00
12 Nov 2016	12 May 2017		12 May 2017	12,000,000.00	2.000000	12 Nov 2016	0.00	119,013.70		0.00	12,119,013.70	0.00

Analysis of the Computation:

Start Date	End Date	Outstanding Principal	Rate	Period Days	Day Count	Interest
12-May-14	12-Jun-14	7,000,000.00	2.000000%	31	365	11,890.41
12-Jun-14	12-Aug-14	10,000,000.00	2.000000%	61	365	33,424.66
12-Aug-14	12-Nov-14	12,000,000.00	2.000000%	92	365	60,493.15
					Total	105,808.22

Scenario 2: Interest Paid

When there is interest paid, the next interest amount is calculated from the last periodic end date when the interest is paid to the next periodic end date. See below example on how the system calculates the interest amount on 12-Nov-2014.

Amend Term Loan Repayment

dev01

Reset Rates | Unlock All | Import | Amortise Fee?

Start Date	End Date	TradeID	VDate	Principal	Rate	Reset Date	Interest Capitalise	Interest	Locked?	Outstanding	Total Cashflow	Cum. Interest Cap
12 May 2014	12 May 2014	Book	12 May 2014	7,000,000.00	2.000000	12 May 2014	0.00	0.00	Y	7,000,000.00	7,000,000.00	0.00
12 May 2014	12 Jun 2014		12 Jun 2014	3,000,000.00	2.000000	12 May 2014	0.00	11,890.41	Y	10,000,000.00	3,011,890.41	0.00
12 Jun 2014	12 Aug 2014		12 Aug 2014	2,000,000.00	2.000000	12 Jun 2014	0.00	0.00	Y	12,000,000.00	2,000,000.00	0.00
12 Aug 2014	12 Nov 2014		12 Nov 2014	0.00	2.000000	12 Aug 2014	0.00	93,917.81		12,000,000.00	93,917.81	0.00
12 Nov 2014	12 May 2015		12 May 2015	0.00	2.000000	12 Nov 2014	0.00	119,013.70		12,000,000.00	119,013.70	0.00
12 May 2015	12 Nov 2015		12 Nov 2015	0.00	2.000000	12 May 2015	0.00	120,986.30		12,000,000.00	120,986.30	0.00
12 Nov 2015	12 May 2016		12 May 2016	0.00	2.000000	12 Nov 2015	0.00	119,671.23		12,000,000.00	119,671.23	0.00
12 May 2016	12 Nov 2016		12 Nov 2016	0.00	2.000000	12 May 2016	0.00	120,986.30		12,000,000.00	120,986.30	0.00
12 Nov 2016	12 May 2017		12 May 2017	12,000,000.00	2.000000	12 Nov 2016	0.00	119,013.70		0.00	12,119,013.70	0.00

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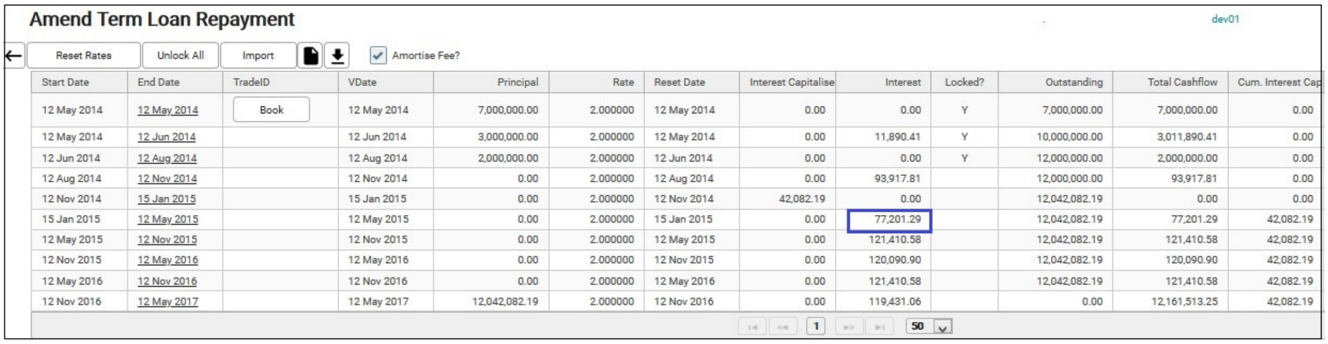
Analysis of the Computation:

Start Date	End Date	Outstanding Principal	Rate	Period Days	Day Count	Interest
12-Jun-14	12-Aug-14	10,000,000.00	2.000000%	61	365	33,424.66
12-Aug-14	12-Nov-14	12,000,000.00	2.000000%	92	365	60,493.15
					Total	93,917.81

Scenario 3: Interest Capitalization

When there is interest capitalization, the system will treat interest capitalization as though it is paid and the next interest repayment amount will calculate from the last periodic end date when the interest is capitalized to the next periodic end date, based on total of outstanding principal and interest capitalized amount. See example below: interest is capitalized on 15-Jan-2015, the next interest repayment on 12-May-2015 is calculated as below.



Amend Term Loan Repayment

Start Date	End Date	TradeID	VDate	Principal	Rate	Reset Date	Interest Capitalise	Interest	Locked?	Outstanding	Total Cashflow	Cum. Interest Cap
12 May 2014	12 May 2014	Book	12 May 2014	7,000,000.00	2.000000	12 May 2014	0.00	0.00	Y	7,000,000.00	7,000,000.00	0.00
12 May 2014	12 Jun 2014		12 Jun 2014	3,000,000.00	2.000000	12 May 2014	0.00	11,890.41	Y	10,000,000.00	3,011,890.41	0.00
12 Jun 2014	12 Aug 2014		12 Aug 2014	2,000,000.00	2.000000	12 Jun 2014	0.00	0.00	Y	12,000,000.00	2,000,000.00	0.00
12 Aug 2014	12 Nov 2014		12 Nov 2014	0.00	2.000000	12 Aug 2014	0.00	93,917.81		12,000,000.00	93,917.81	0.00
12 Nov 2014	15 Jan 2015		15 Jan 2015	0.00	2.000000	12 Nov 2014	42,082.19	0.00		12,042,082.19	0.00	0.00
15 Jan 2015	12 May 2015		12 May 2015	0.00	2.000000	15 Jan 2015	0.00	77,201.29		12,042,082.19	77,201.29	42,082.19
12 May 2015	12 Nov 2015		12 Nov 2015	0.00	2.000000	12 May 2015	0.00	121,410.58		12,042,082.19	121,410.58	42,082.19
12 Nov 2015	12 May 2016		12 May 2016	0.00	2.000000	12 Nov 2015	0.00	120,090.90		12,042,082.19	120,090.90	42,082.19
12 May 2016	12 Nov 2016		12 Nov 2016	0.00	2.000000	12 May 2016	0.00	121,410.58		12,042,082.19	121,410.58	42,082.19
12 Nov 2016	12 May 2017		12 May 2017	12,042,082.19	2.000000	12 Nov 2016	0.00	119,431.06		0.00	12,161,513.25	42,082.19

Analysis of the computation:

Start Date	End Date	Outstanding Principal	Rate%	Period Days	Day Count	Interest
15-Jan-15	12-May-15	12,042,082.19	2.000000%	117	365	77,201.29

FREQUENTLY ASKED QUESTIONS

FAQ01. How does the system determine the day count used for interest computation?

The day count used for interest computation follows the accrual method set up for the currency by default. However, user may change the accrual methods at the Term Loan transaction booking screen. See Accrual methods for more details.

RELATED INFORMATION

Amend Term Loan and Repayment

CHANGE HISTORY

Date	By	Changes
19-Jan-2016	TS	Created.
12-Jun-2016	Richard	Proofread.
26-Nov-2019	Lyra	Updated Screenshots.