candidates should be able to:

Demonstrate knowledge of reduced-form models. Including:

* Describe the characteristics of reduced-form models
* Discuss the role of default intensity in reduced-form models and calculate default intensity for a given firm
* Demonstrate how default intensity can be incorporated into the valuation of risky debt
* Recognize the relationship among credit spreads, default intensities, and recovery rates, and use two of these factors as variables to solve for the third for a given investment
* Describe the two predominant reduced-form credit models