SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore – 641 107

An Autonomous Institution

Accredited by NAAC – UGC with 'A' Grade

Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

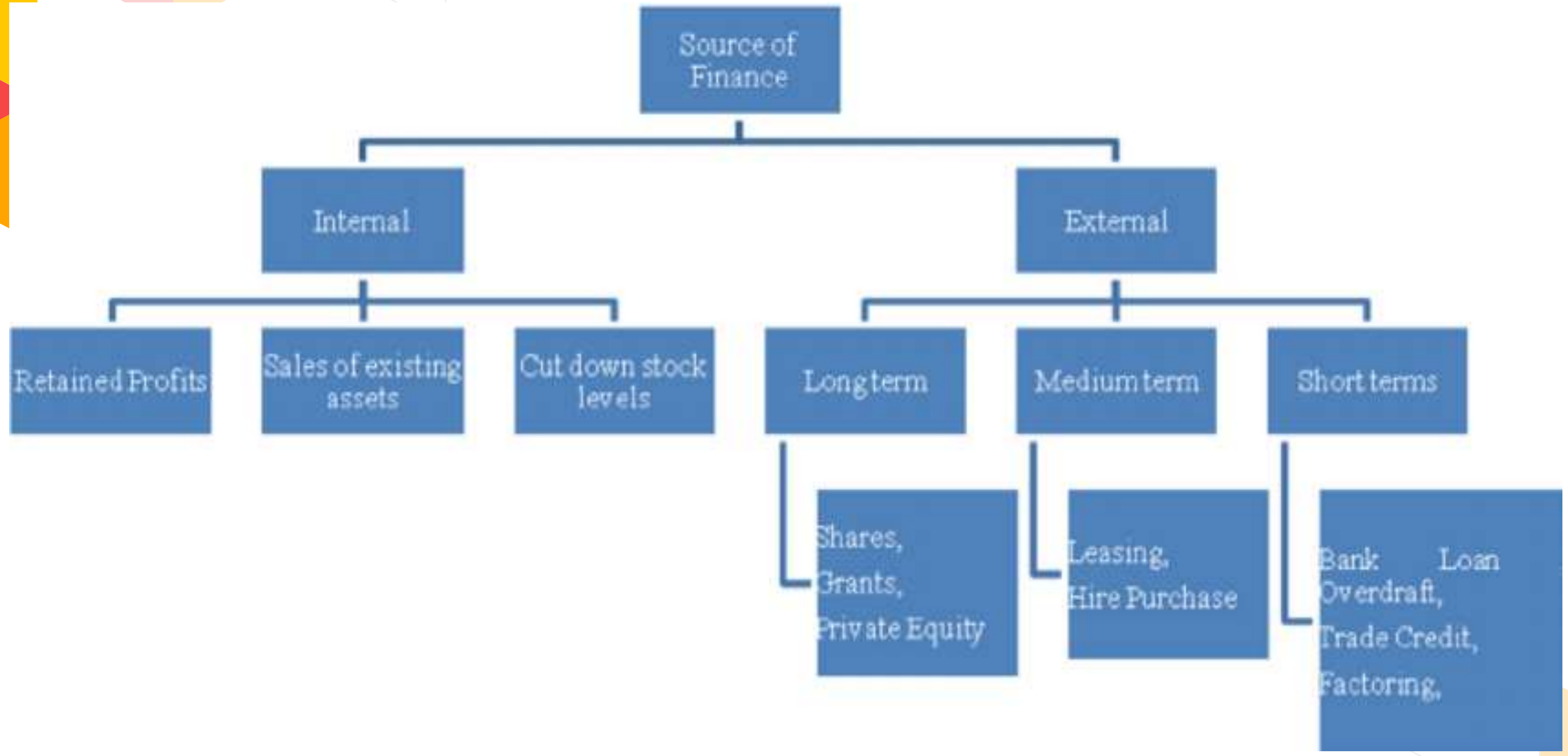
DEPARTMENT OF MANAGEMENT STUDIES

COURSE NAME : 23BAT361 – FINANCIAL SOURCING MANAGEMENT

II YEAR / III SEMESTER

UNIT 1 - INTRODUCTION

Source of Finance



Source of Finance

Main Sources of Business Finance

LONG-TERM	MEDIUM-TERM	SHORT-TERM
Finances the whole business over many years	*Finances major projects or assets with a long-life*	*Finances day-to-day trading of the business*
Examples:	*Examples:*	*Examples:*
Share capital Retained profits Venture capital Mortgages Long-term bank loans	$\boxed{\text{Bank loans}}$ Leasing Hire purchase Government grants	Bank overdraft Trade creditors **Factoring**

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Long-Term Finance

Long term financing means financing by loan or borrowing for a term of more than one year by way of issuing equity shares, by the form of debt financing, by long term loans, leases or bonds and it is done for usually big projects financing and expansion of company and such long term financing is generally of high amount. Ex: 10 to 20 years

Medium-Term Finance

Medium Term finance are sources of finance available for the mid-term of between 3 – 5 years typically used to finance an expansion of a business or to purchase large fixed assets. Typical medium term finance options include: Enterprise Finance Guarantee. Business Finance Partnership – Small Businesses. Start-Up Loan.

Short-Term Finance

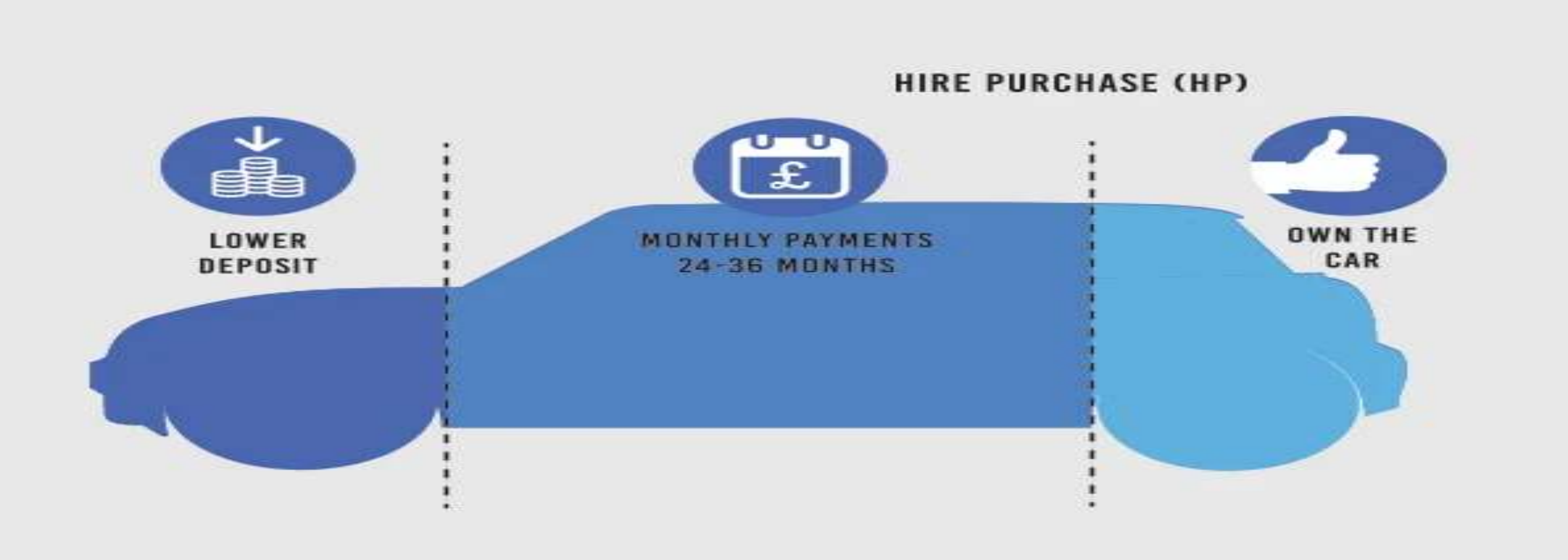
Short term finance refers to financing needs for a small period normally less than a year. In businesses, it is also known as working capital financing. This type of financing is normally needed because of uneven flow of cash into the business, the seasonal pattern of business, etc.

Medium-Term Finance

Leasing is the process by which a firm can obtain the use of certain fixed assets for which it must make a series of contractual, periodic, tax-deductible payments. A lease is a contract that enables a lessee to secure the use of the tangible property for a specified period by making payments to the owner.

Medium-Term Finance

A **hire purchase (HP)**, also known as an installment plan or the never-never, is an arrangement whereby a customer agrees to a contract to acquire an asset by paying an initial installment (e.g., 40% of the total) and repays the balance of the price of the asset plus interest over a period of time.



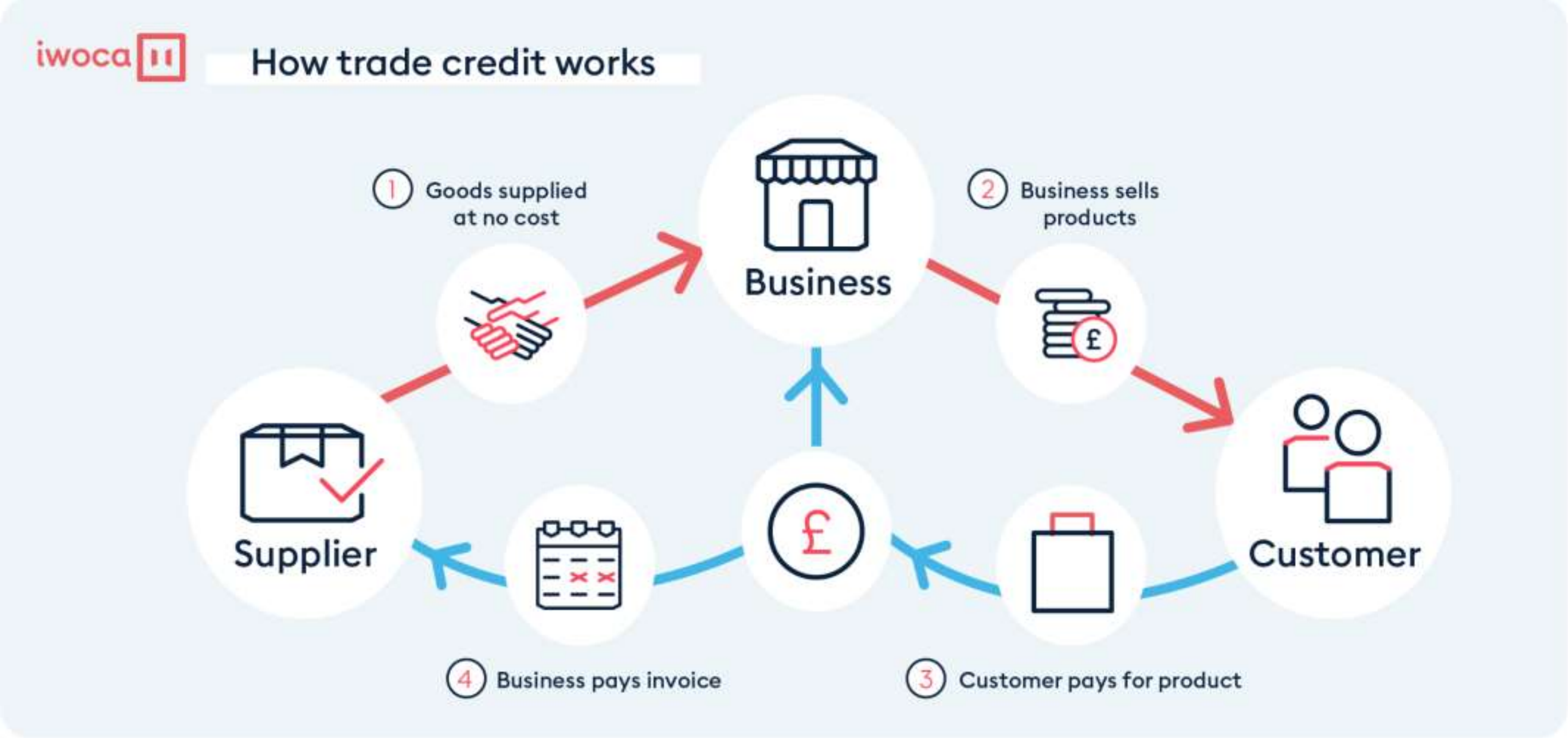
Short-Term Finance

An **overdraft** is an extension of credit from a lending institution that is granted when an account reaches zero. The overdraft allows the account holder to continue withdrawing money even when the account has no funds in it or has insufficient funds to cover the amount of the withdrawal.

Basically, an overdraft means that the bank allows customers to borrow a set amount of money. There is interest on the loan, and there is typically a fee per overdraft.

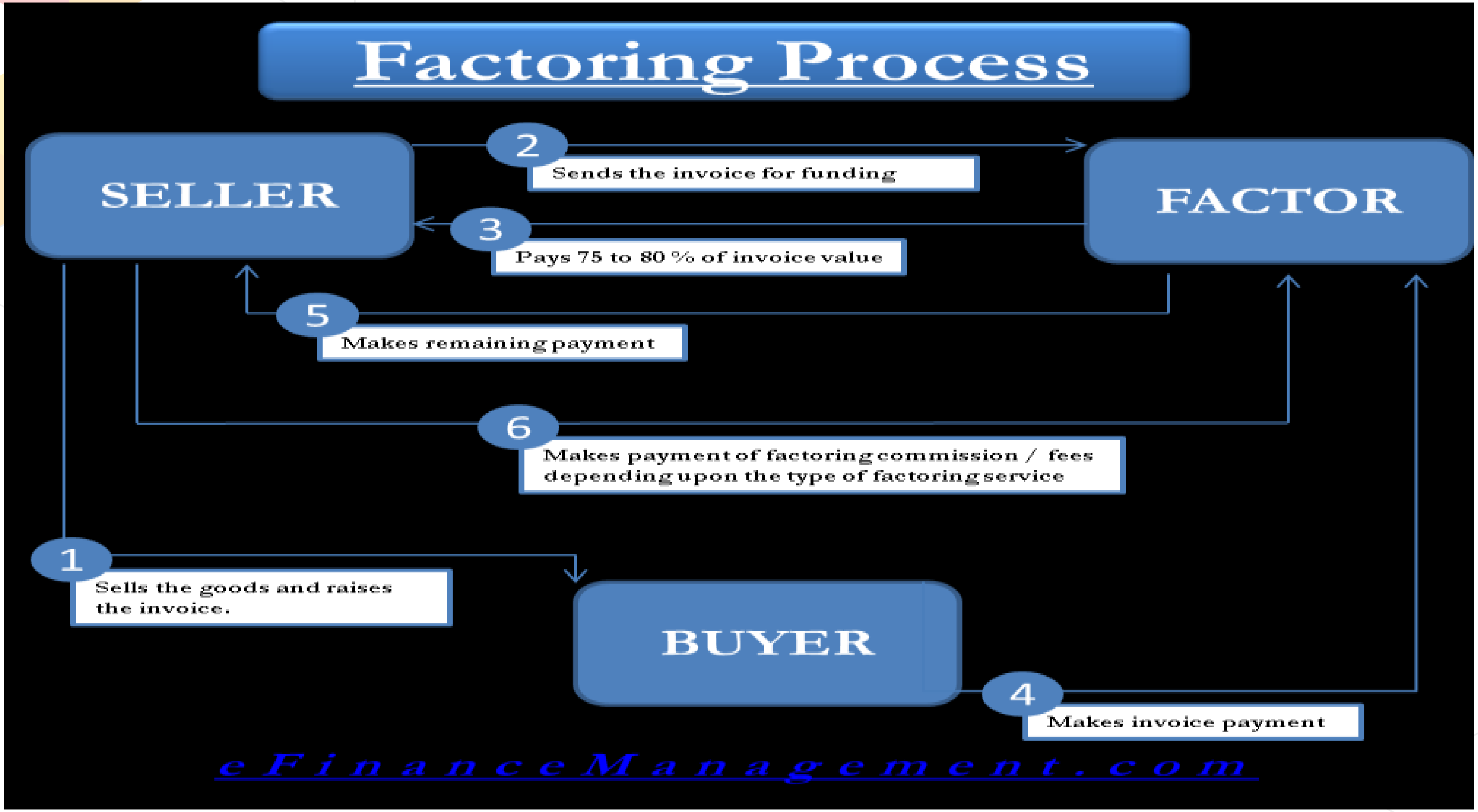

AFINOZ
Digitalizing Finance
WHAT IS
OVERDRAFT FACILITY?
AVAILABLE BALANCE IN SAVINGS
XX AMOUNT
OVERDRAFT LIMIT SET BY THE BANK
YY AMOUNT
TOTAL WITHDRAWABLE AMOUNT
XX+YY AMOUNT
BANK

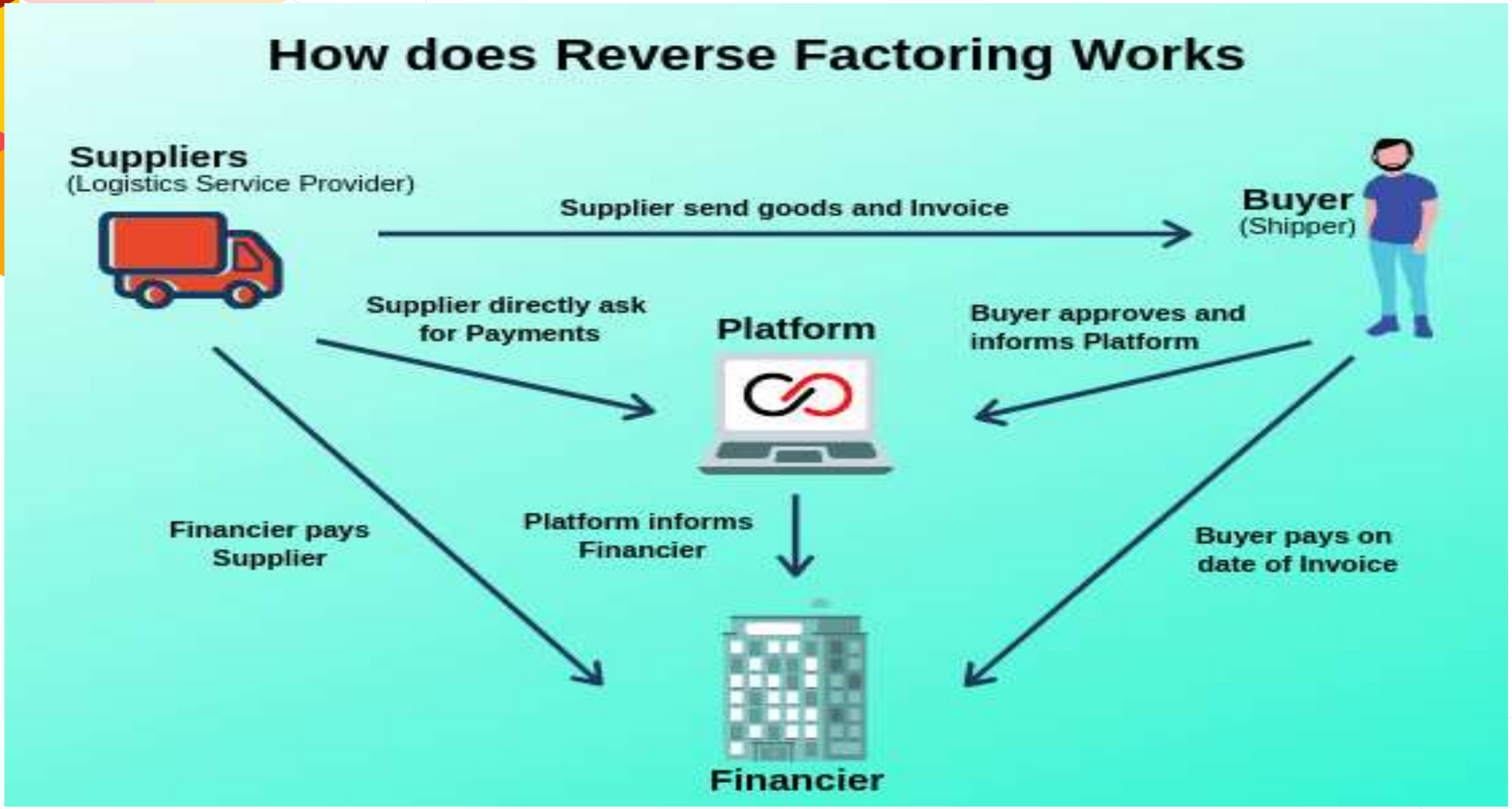
Trade credit is the loan extended by one trader to another when the goods and services are bought on credit. Trade credit facilitates the purchase of supplies without immediate payment. Trade credit is commonly used by business organisations as a source of short-term financing.


iwoca
How trade credit works
1 Goods supplied at no cost
Business
2 Business sells products
£
Supplier
Customer
£
4 Business pays invoice
3 Customer pays for product

Short-Term Finance

Factoring is a financial transaction and a type of debtor finance in which a business sells its accounts receivable (i.e., invoices) to a third party (called a factor) at a discount. A business will sometimes factor its receivable assets to meet its present and immediate cash needs.


Factoring Process
SELLER
FACTOR
BUYER
2
Sends the invoice for funding
3
Pays 75 to 80 % of invoice value
5
Makes remaining payment
6
Makes payment of factoring commission / fees depending upon the type of factoring service
1
Sells the goods and raises the invoice.
4
Makes invoice payment
eFinanceManagement.com

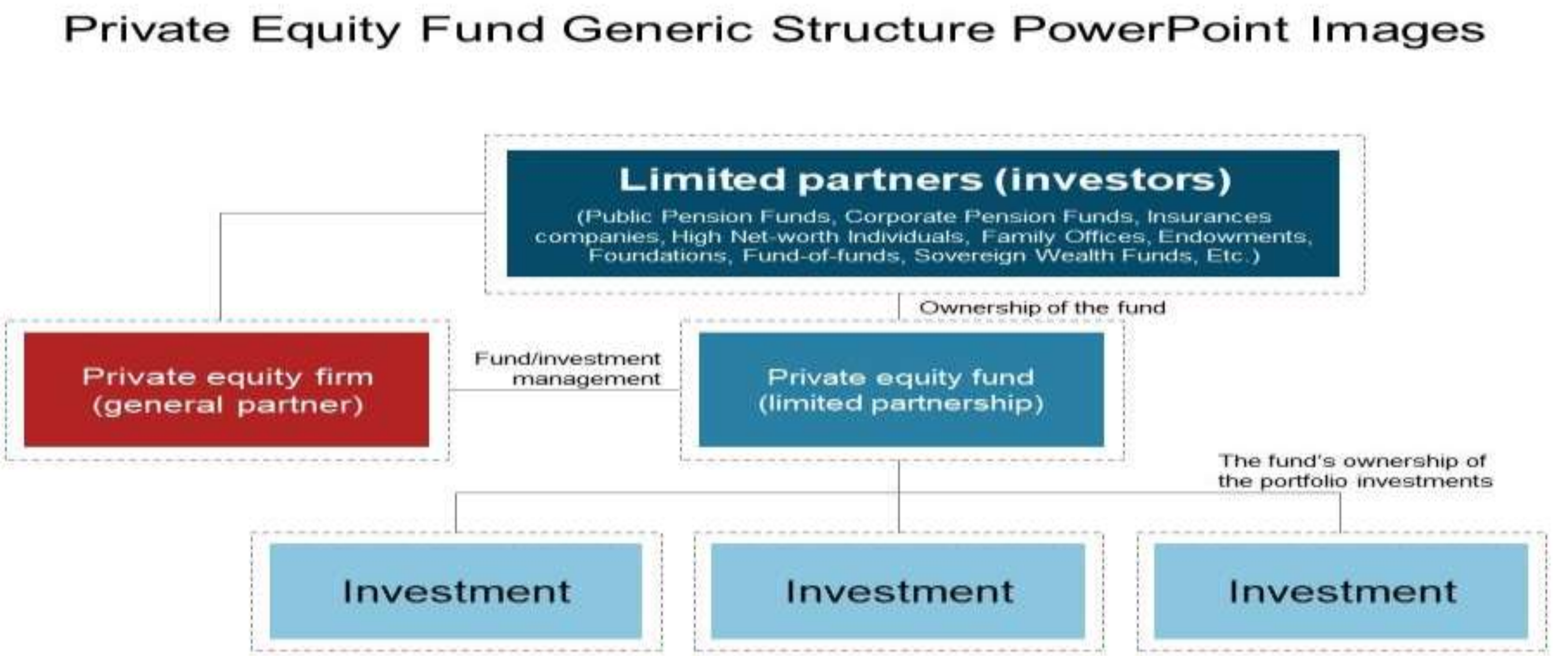

How does Reverse Factoring Works
Suppliers
(Logistics Service Provider)
Supplier send goods and Invoice
Buyer
(Shipper)
Supplier directly ask for Payments
Platform
Buyer approves and informs Platform
Financier pays Supplier
Platform informs Financier
Buyer pays on date of Invoice
Financier

Long-Term Finance

Shares are units of equity ownership interest in a corporation that exist as a financial asset providing for an equal distribution in any residual profits, if any are declared, in the form of dividends. Shareholders may also enjoy capital gains if the value of the company rises.

Share Market or Equity Market or Stock Market

Private equity is a non-publicly traded source of capital from investors who seek to invest or acquire equity ownership in a company.



Grants are funds given by an entity – frequently, a public body, charitable foundation, or a specialised grant-making institution – to an individual or another entity for a specific purpose linked to public benefit. Unlike loans, grants are not to be paid back.

Long-Term Finance

A **mortgage** is a way to use one's real property as a guarantee for a loan to get money. The debtor or mortgagor is the owner of the property, while the creditor or mortgagee is the owner of the loan. When the mortgage transaction is made, the debtor gets the money with the loan, and promises to pay the loan.

Venture capital is a form of private equity financing that is provided by venture capital firms or funds to startups, early-stage, and emerging companies that have been deemed to have high growth potential or which have demonstrated high growth.

Thank You