



# **SNS COLLEGE OF ENGINEERING**

**Kurumbapalayam (Po), Coimbatore - 641 107**

**An Autonomous Institution**

**Accredited by NBA - AICTE and Accredited by NAAC - UGC with 'A' Grade  
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai**

**DEPARTMENT OF MANAGEMENT STUDIES**

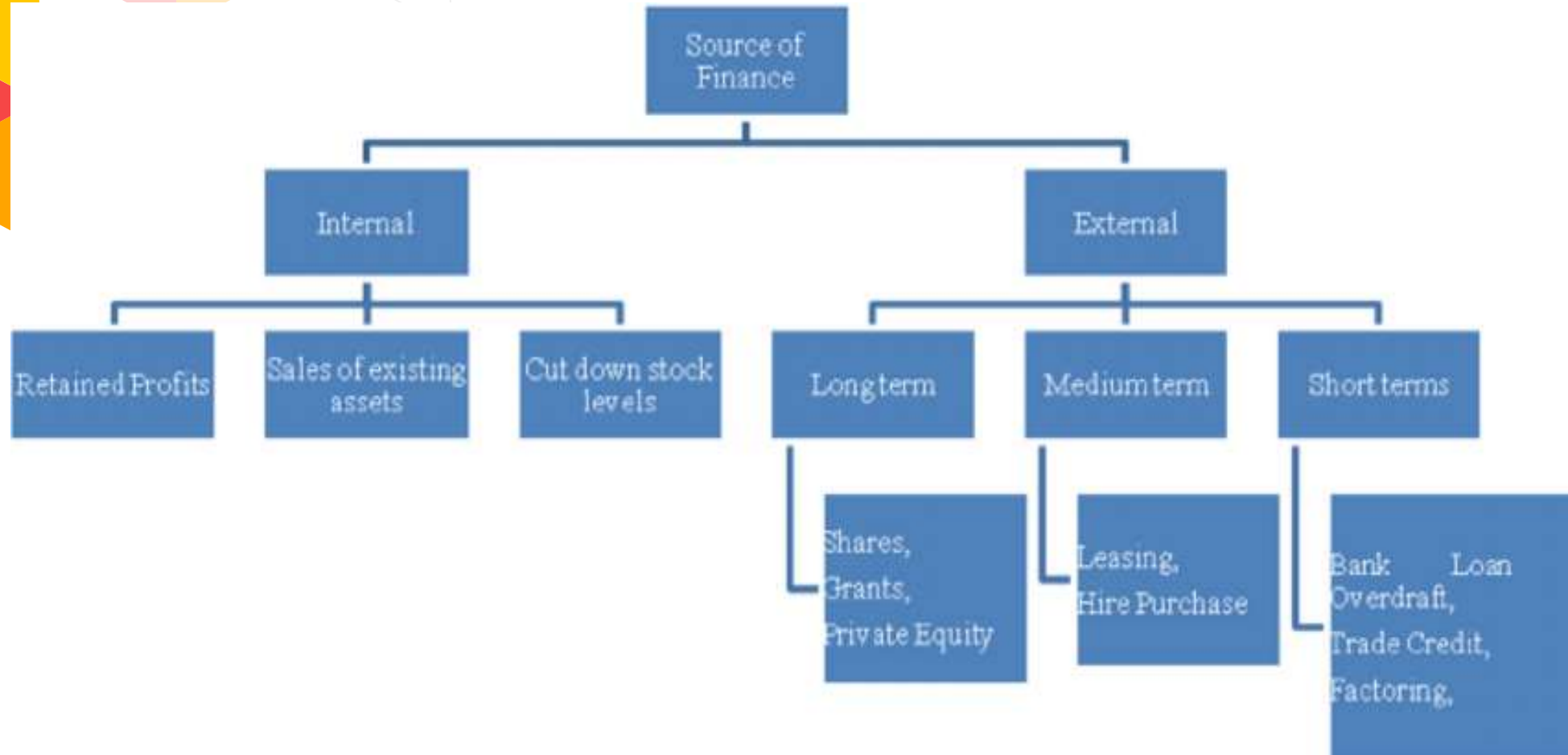
**COURSE NAME : 19BA201 FINANCIAL MANAGEMENT**

**I YEAR / II SEMESTER**

**UNIT 1 - INTRODUCTION TO FINANCIAL MANAGEMENT**



# Source of Finance





# Source of Finance



## Main Sources of Business Finance

<b>LONG-TERM</b>	<b>MEDIUM-TERM</b>	<b>SHORT-TERM</b>
<i>Finances the whole business over many years</i>	<i>Finances major projects or assets with a long-life</i>	<i>Finances day-to-day trading of the business</i>
<i>Examples:</i>	<i>Examples:</i>	<i>Examples:</i>
Share capital Retained profits Venture capital Mortgages Long-term bank loans	<b>Bank loans</b> Leasing Hire purchase Government grants	Bank overdraft Trade creditors <b>Factoring</b>



## 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.

# WHAT IS OVERDRAFT FACILITY?

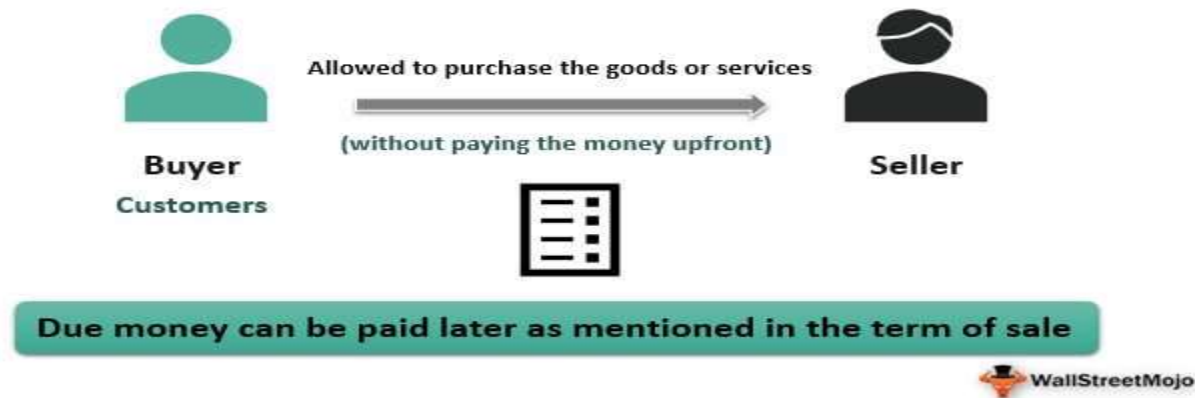




# Short-Term Finance

**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.

## Trade Credit



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## How trade credit works

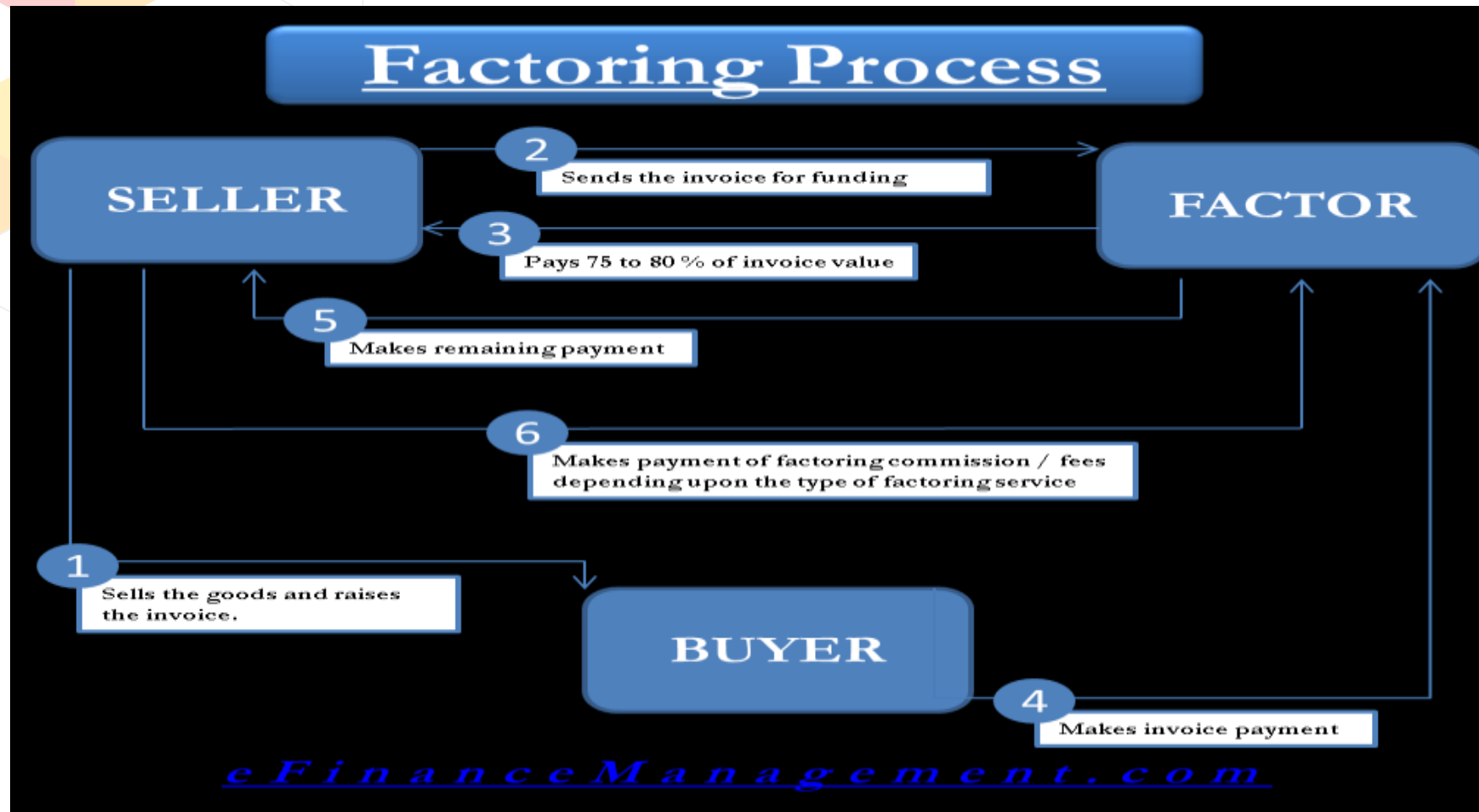




## Short-Term Finance



**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.





## How does Reverse Factoring Works







# 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



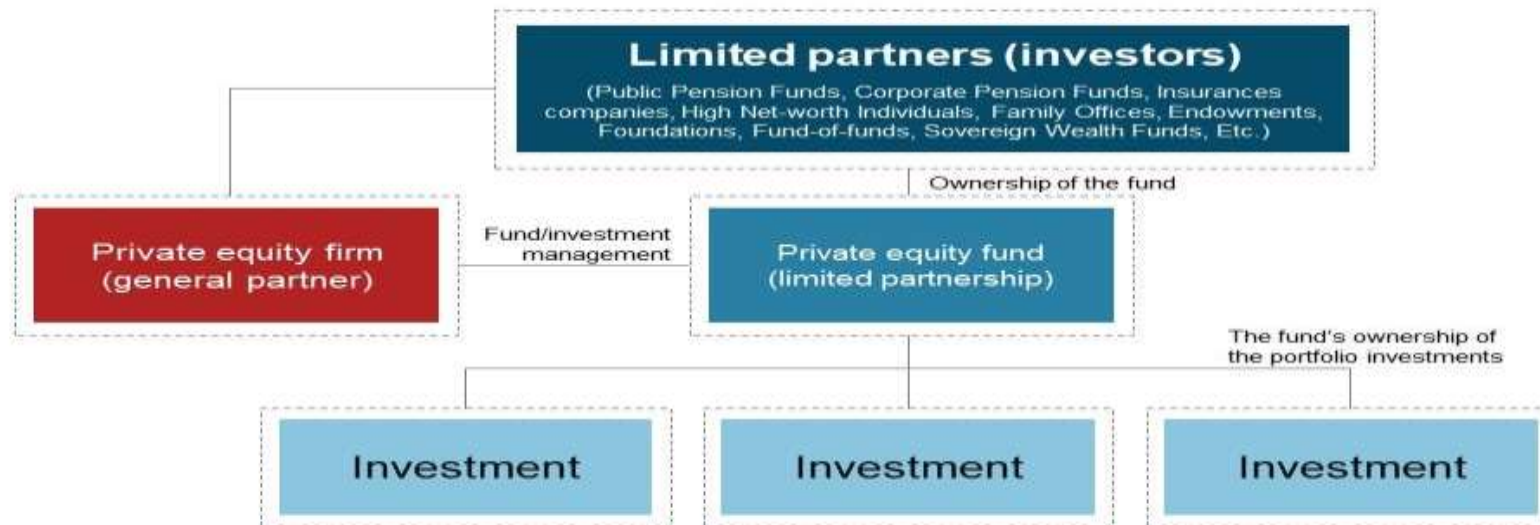
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# Long-Term Finance

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

Private Equity Fund Generic Structure PowerPoint Images





## Long-Term Finance

**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.







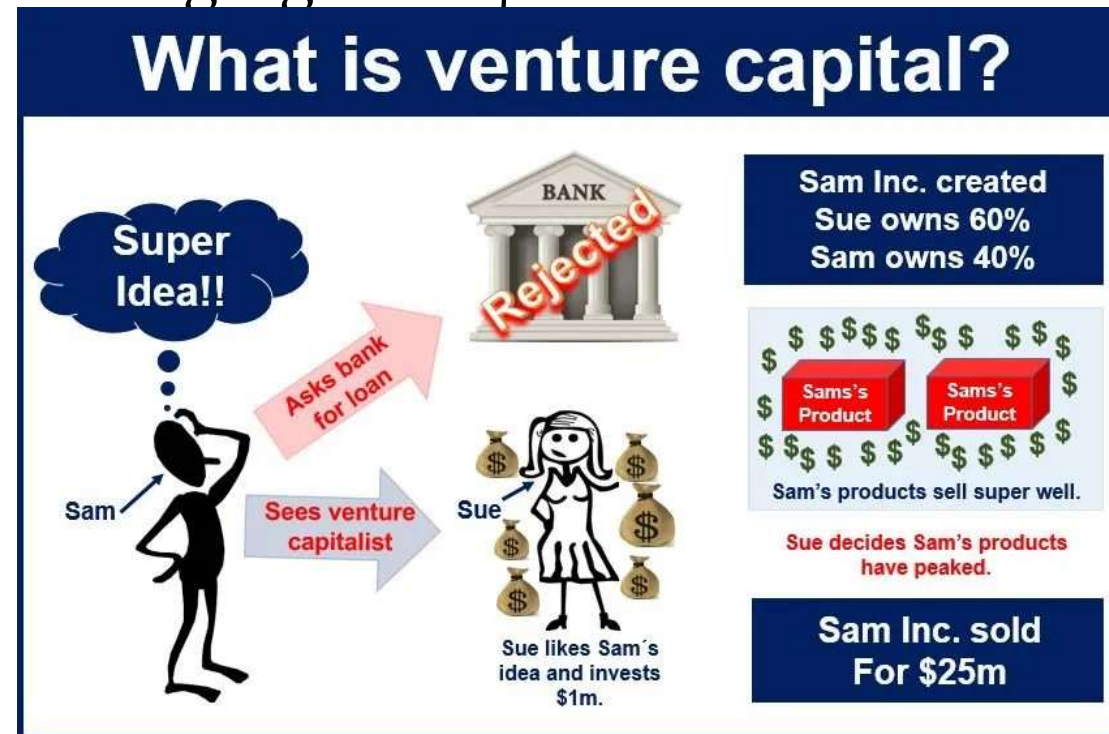
## Long-Term Finance

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.



# Long-Term Finance

**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

