



SNS COLLEGE OF TECHNOLOGY

DEPARTMENT OF MECHANICAL ENGINEERING

COURSE NAME: 16GE302 Engineering Economics and Cost Analysis

IV YEAR/ VII SEM

Unit-4 FINANCING

Topic : TYPES OF FINANCING



Types of Financing





Introduction

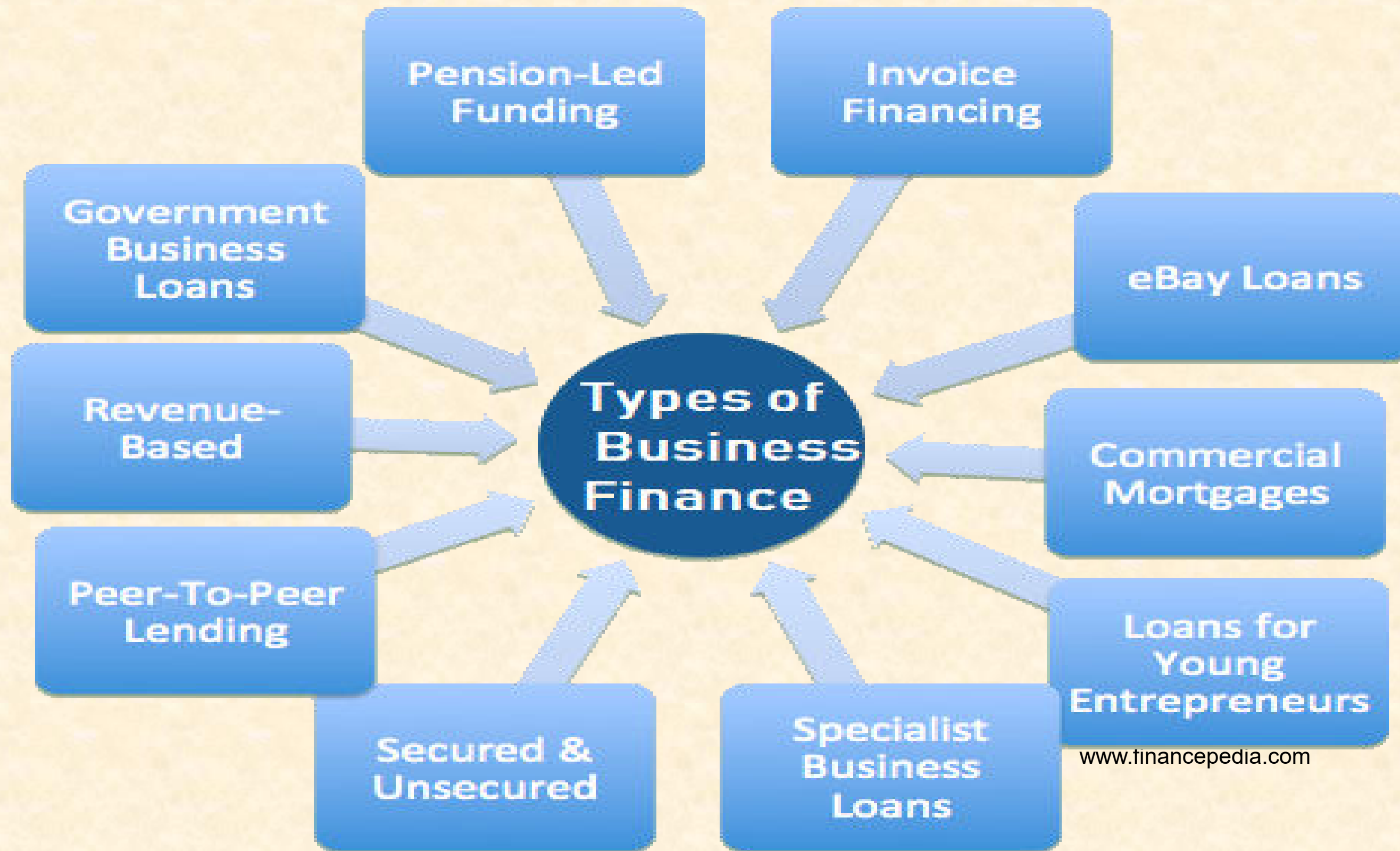
- Finance is the life-blood of business
- No Business without sources of finance
- Several sources of Finance
- Finance - raised from the right source



www.financepedia.com



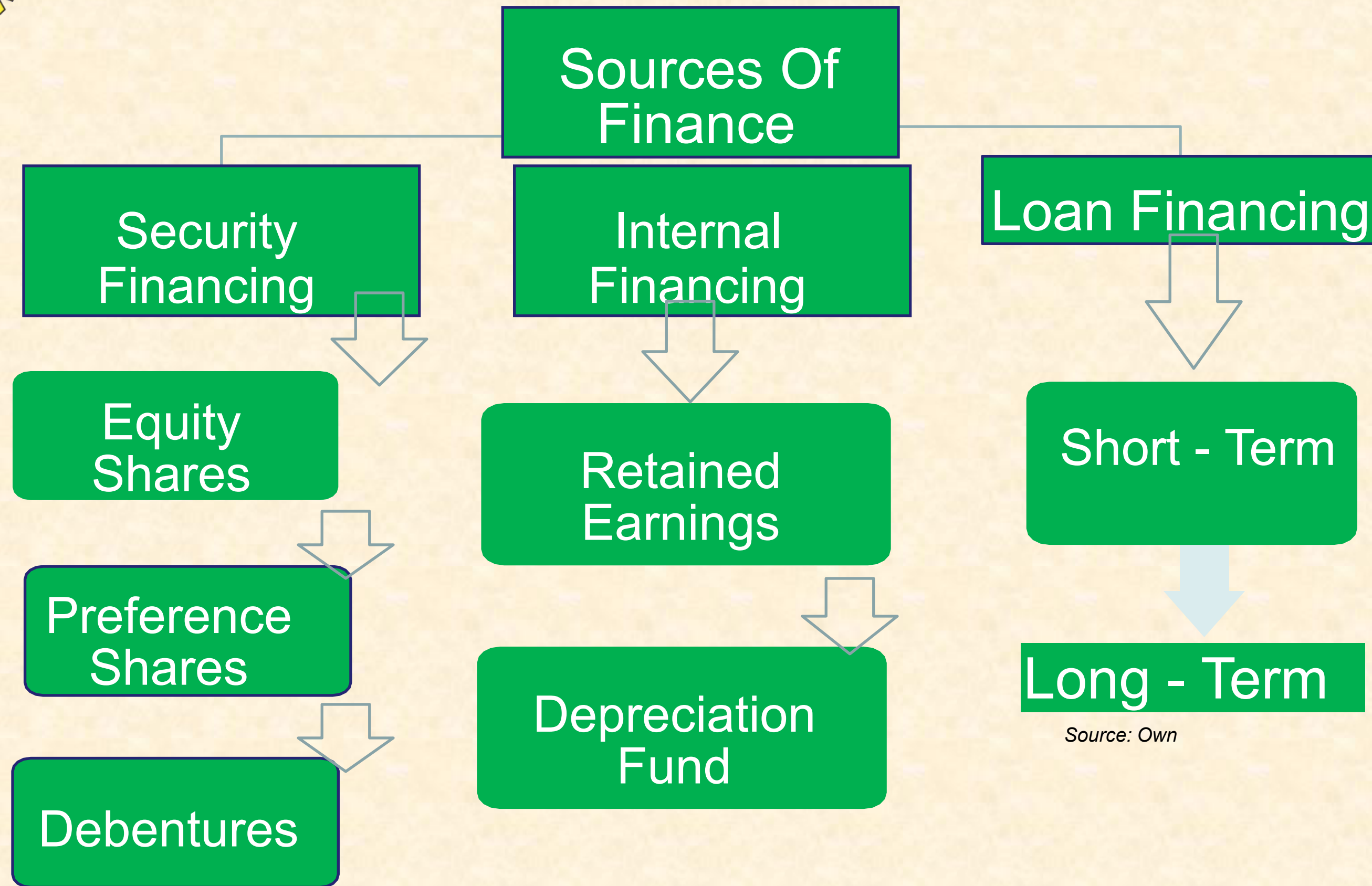
Types of Finance



www.financepedia.com



Sources of Finances



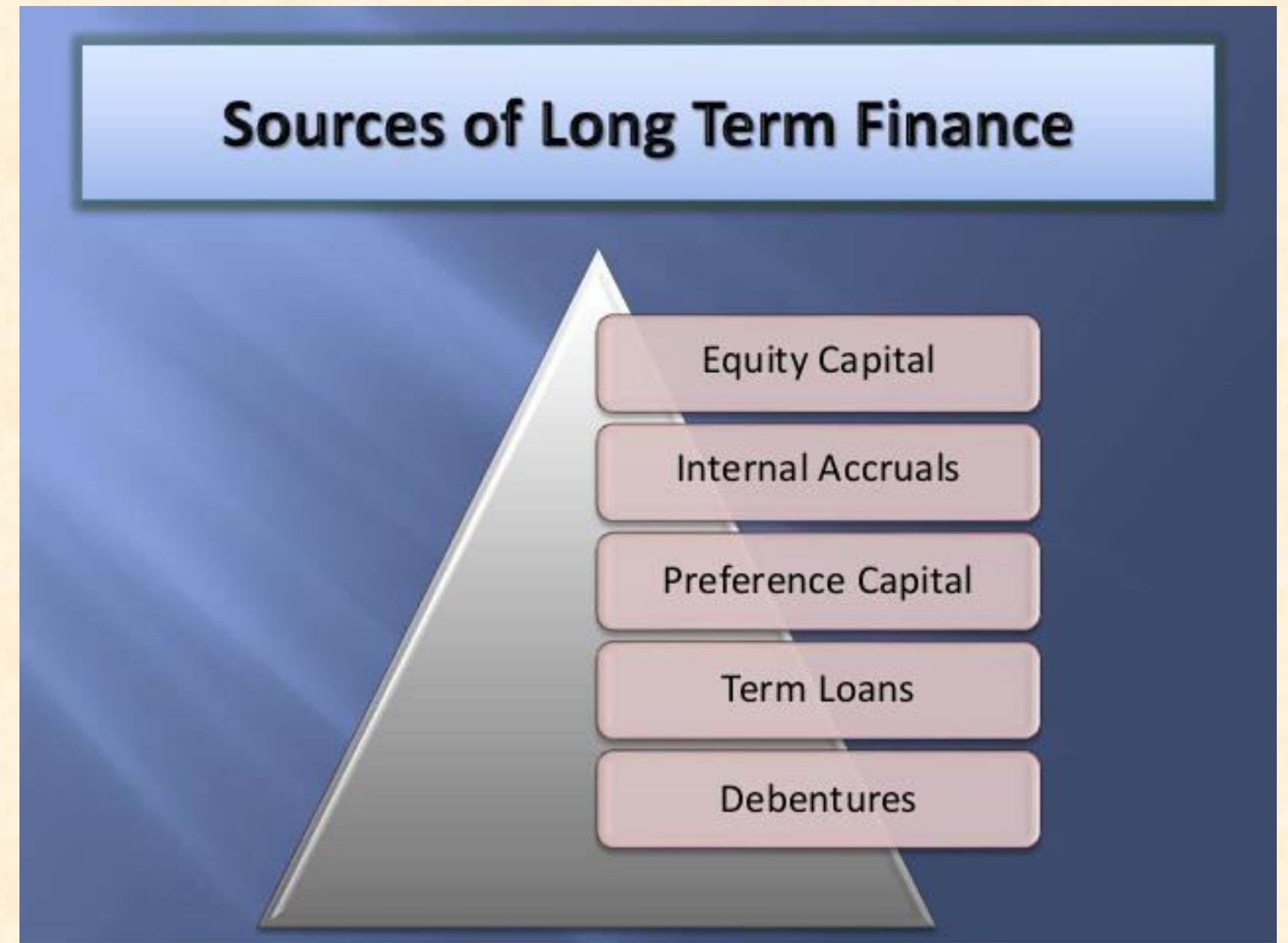
www.tes.com

Source: Own



Long Term Source of Finance

- Needed over a longer period of time
- Needed to fund expansion projects
- It's Types are
 - Share
 - Debenture
 - Venture Capital
 - Government Grant
 - Bank Loan
 - Mortgage
 - Owner Capital
 - Internal Accrual



www.bbamantra.com



Need for long term Finance

- Long term vs. short term
- Working capital
- Funds requirements
- For modernization & diversification
- Irreversible decision
- Asset-liability mismatch
- Interest rate risk
- Liquidity risk



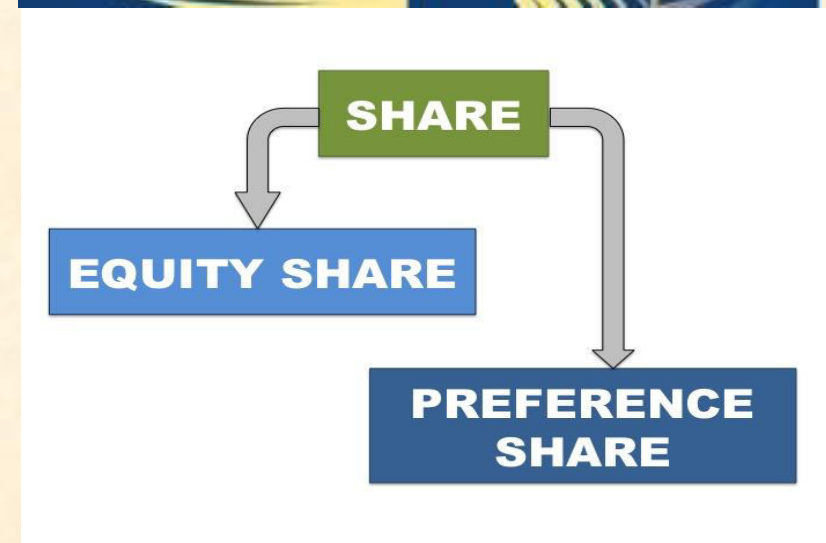
www.businessjargons.com



Equity & Preference Share Capital

Equity Share Capital

- Value & Issue Price,
- Book & Market Value
- Rights of equity
- shareholders
- Right to Income
- Preferred dividends
- Right to Control



www.businessjargons.com

Preference Share Capital

- Equity features
- Out of distributable profits
- Debt features
- Dividend rate is fixed
- Capital is redeemable
- No right to vote

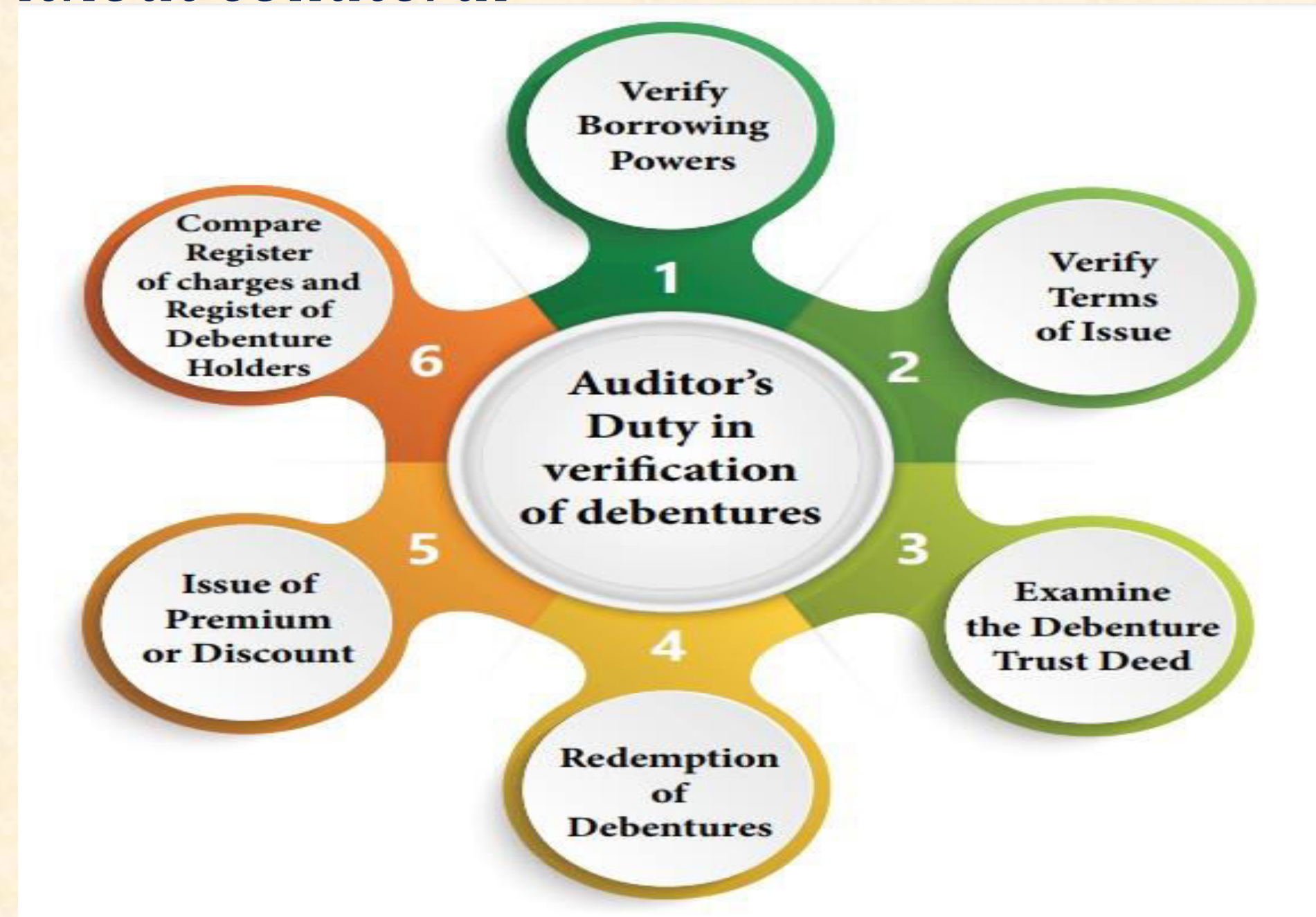


Debentures

“Debenture is a document that either creates a debt or acknowledges it, & is a debt without collateral”

Attributes

- Interest rates
- Convertibility
- Security
- Redemption
- Credit rating & Trustee
- Debenture redemption reserve



www.moneycontrol.com



Other Sources Of Long Term Finance

- Initial Public Offer (IPO)
- Securitization
- Government Subsidies/Grant
- Supplier's Credit
- Private Placement
- Venture Capital/ Private Equity
- Bank Loan
- Mortgage



www.moneycontrol.com



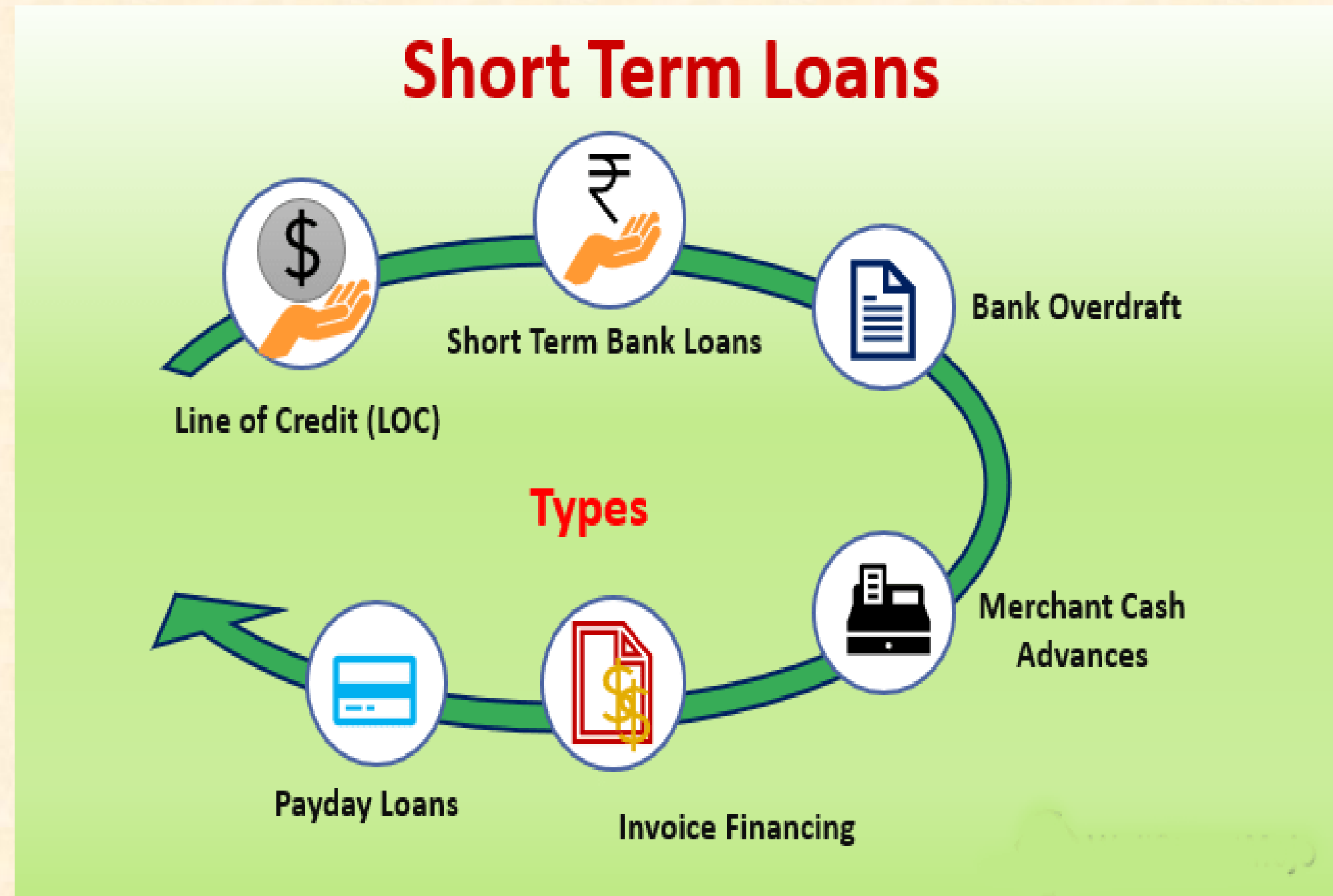
Short Term Loans

Term loan - bank/financial sectors

- Initial maturity – 1 year
- Repayable-10 yrs

Features of Term Loans

- Maturity
- Security
- Covenants – Negative & Positive
- Repayment Schedule
- Loan Amortization



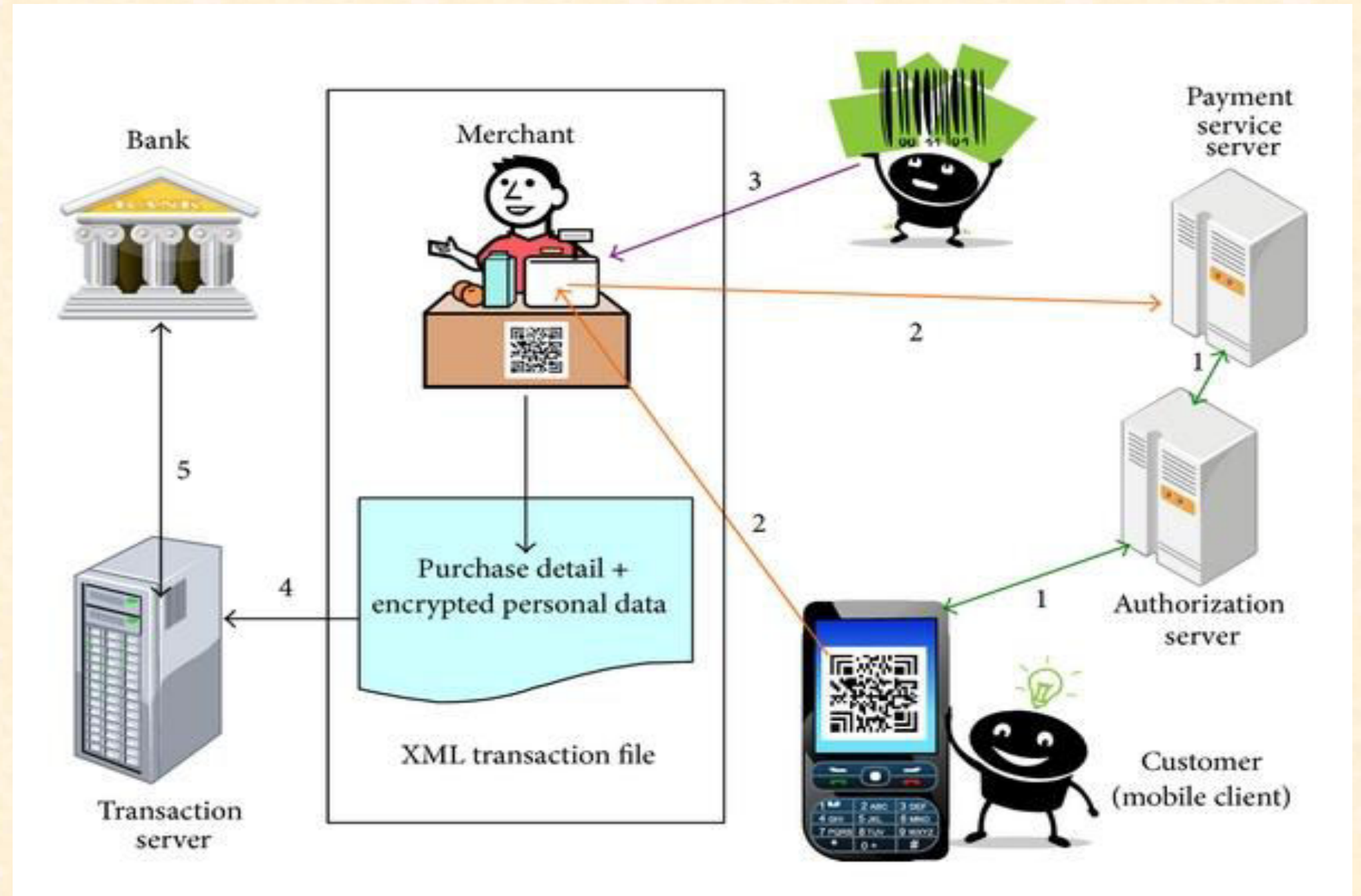


Elements of Term Loan



Evaluation–Low Cost & High Risk

- Term Loan Procedure
- Project Appraisal
- Market Appraisal
- Technical Appraisal
- Financial Appraisal
- Managerial Appraisal



www.corporatefinance.com



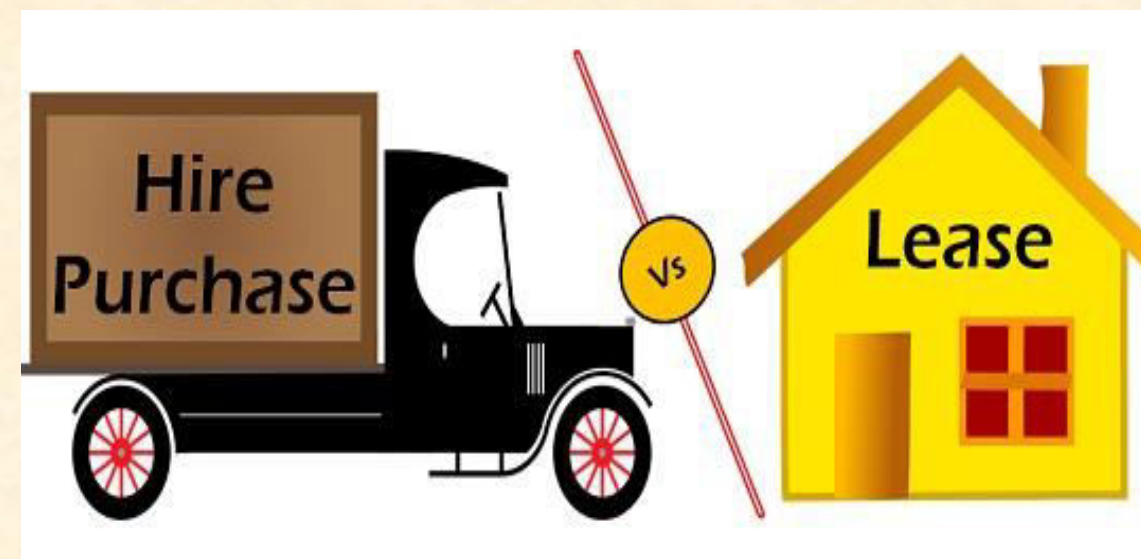
Leasing vs Hire Purchase

Leasing

- Ownership not transferred to buyer
- Depreciation benefit
- Magnitude of funds high, for big ticket items
- No margin money/down payment
- Maintenance of asset in operating lease

Hire-Purchase

- Ownership transferred to hirer
- Depreciation available to hirer
- Smaller value capital goods
- Some down payment required
- Maintenance cost borne by hirer





Assessment

<https://play.kahoot.it/v2/lobby?quizId=a15d1b91-8582-4357-ba59-b93db14896d9>

Game Pin : 178419

