



SNS College of Technology

Coimbatore - 35



19BAE711 – Working Capital Management

Unit IV - Management of Cash & Receivables

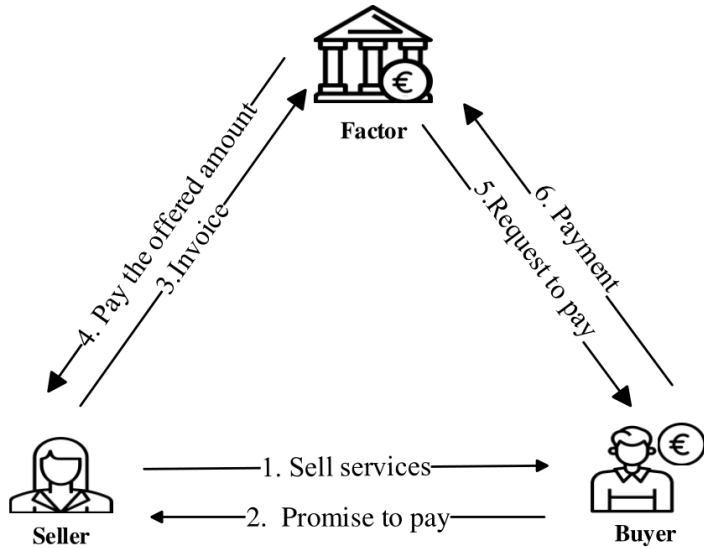
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Design Thinker





Guest the topic

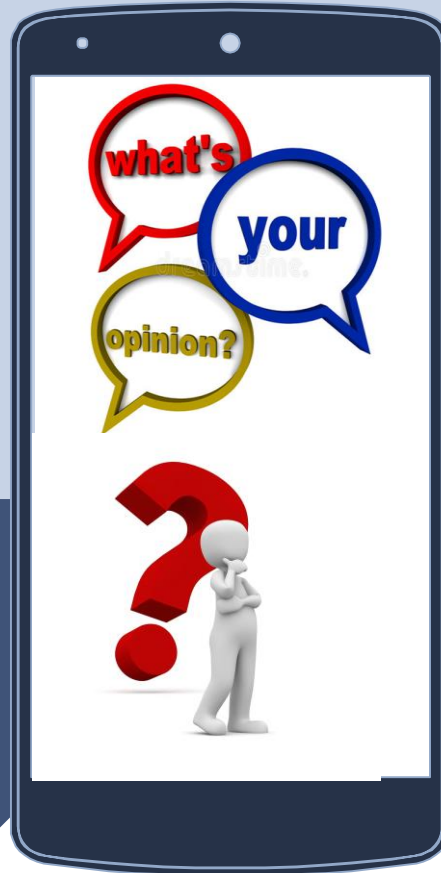




Recall

- Credit Policy
- Types
- Components
- Factors to be considered



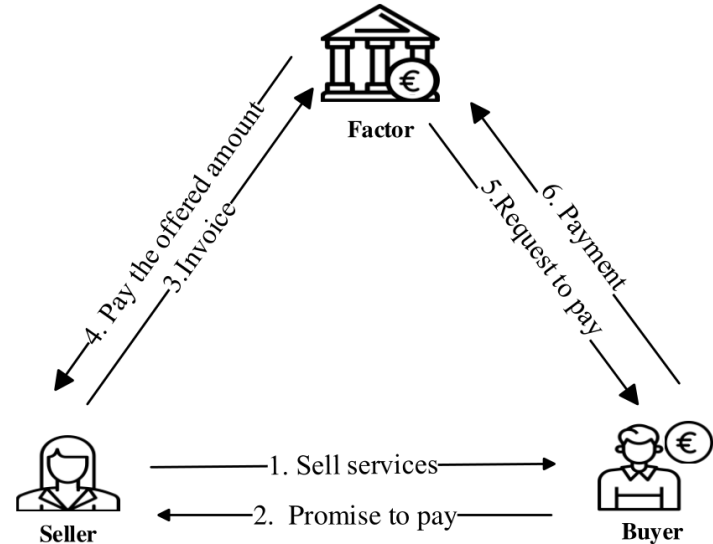


What is credit?



Factoring

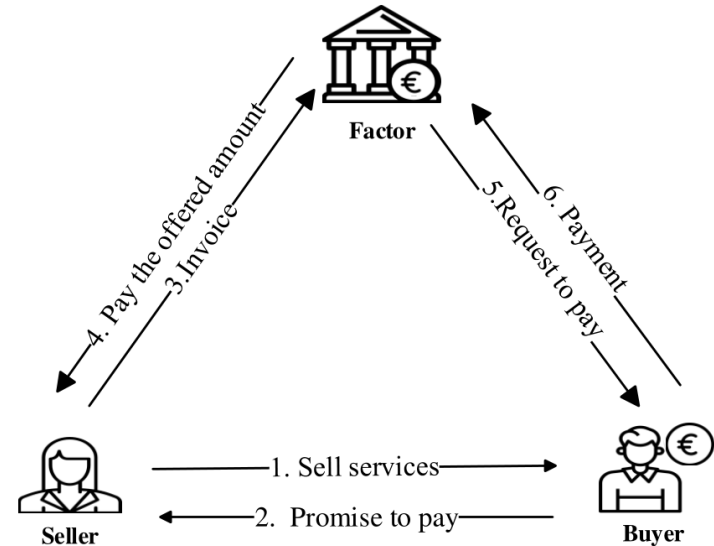
- Factoring is a type of finance in which a business would sell its accounts receivable (invoices) to a third party to meet its short-term liquidity needs.
- Under the transaction between both parties, the factor would pay the amount due on the invoices minus its commission or fees.





Factoring

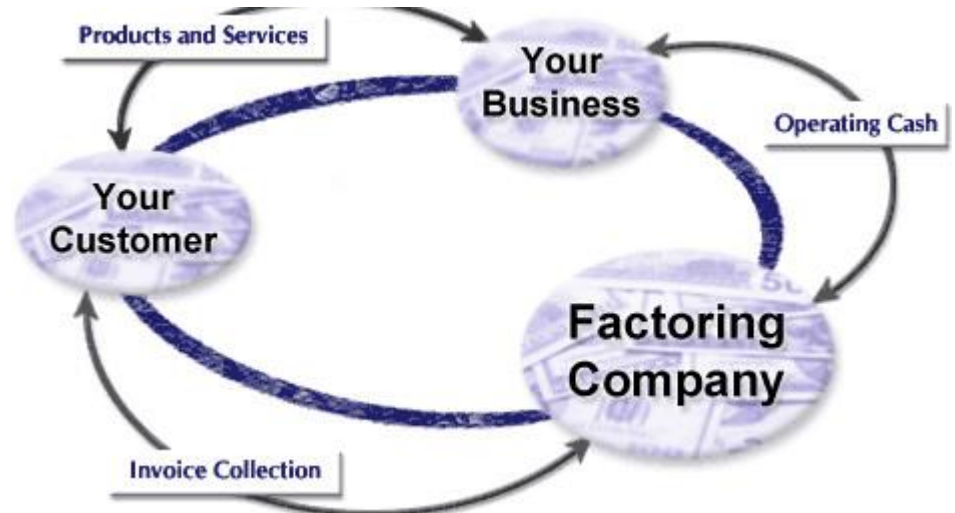
- By selling accounts receivable, or unpaid invoices to a third party at a discounted rate, businesses can unlock funding to cover cash flow shortfalls in the short term.
- Factoring is an important source of capital for businesses – especially startups, or businesses that operate in industries with long receivable cycles, since it involves no collateral, no risk and ensures short-term liquidity.





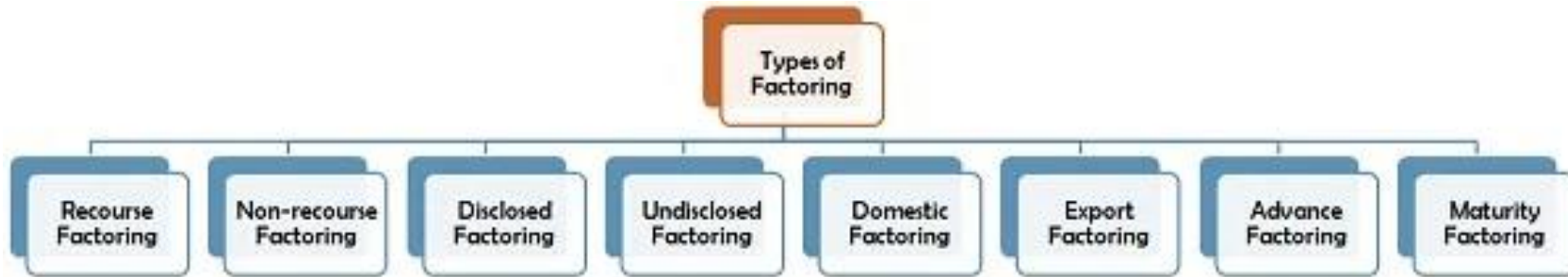
Benefits of Factoring

- Fulfills Financial Needs
- Reduces Risk
- No Collateral Funding
- No Credit Checks
- Improves Cash Flow





Types





Importance

- Factoring helps business improve inflow of cash and reduces credit risk – two important parts of an overall financial management strategy.
- Having a solid financial management strategy is key – especially for young businesses and startups.





Summary

- Factoring
- Types
- Benefits
- Importance

SUMMARY





Assessment

Business sell its accounts receivable to a third party is called as

Ans: Factoring





Reference

- <https://economictimes.indiatimes.com/definition/factoring>
- <https://www.investopedia.com/terms/f/factor.asp>
- <https://razorpay.com/learn/business-banking/factoring/>



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