



# SNS College of Technology

Coimbatore - 35



**19BAE711 – Working Capital Management**

**Unit V - Working Capital Financing**

**Presented by**

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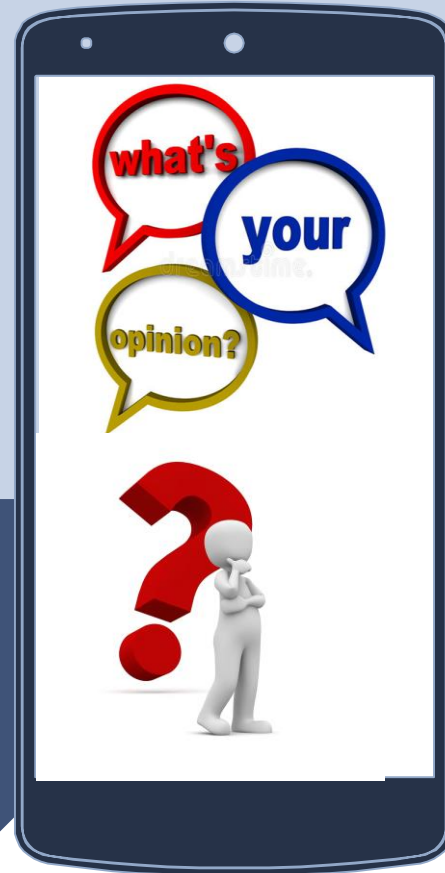




# Recall

- Trade Credit
- Benefits
- Credit Analysis
- Types of Trade Credit
- How to calculate?





# What is Promissory Note?



# Commercial Paper

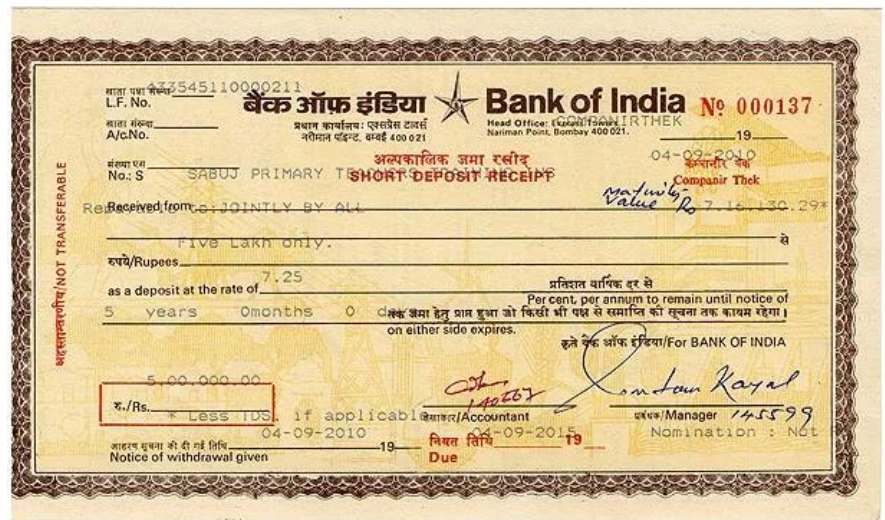
- Commercial paper is an unsecured, short-term debt instrument issued by corporations. It's typically used to finance short-term liabilities such as payroll, accounts payable, and inventories.
- Commercial paper is usually issued at a discount from face value. It reflects prevailing market interest rates.





# Types of Commercial Paper

- Promissory Notes
- Drafts
- Certificates of deposit
- Cheque





# Commercial Paper Terms



- Issuer
- Term/Maturity
- Secured/Unsecured
- Discount/Face Value
- Liquidity





# Pro's and Con's

Pros	Cons (Risks)
Can be issued quickly	Liquidity risk
Used for a variety of purposes	Regulatory risk
Interest rates typically lower than those on other types of short-term borrowing	Interest rate risk
Potential for credit enhancement	Credit risk





# Summary

- Commercial paper
- Types
- Terms used
- Pros and Cons

SUMMARY





# Assessment

Character is one of the 5C's of Credit

**Ans: Yes**





# Reference

- <https://www.investopedia.com/terms/c/commercialpaper.asp#:~:text=Commercial%20paper%20is%20an%20unsecured,a%20discount%20from%20face%20value.>
- <https://www.investopedia.com/articles/investing/070313/introduction-commercial-paper.asp>
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*Thank  
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