

Q - 9

How does the organisation finance its operations and for what reasons do you think it has chosen these financial methods?

The most frequent financing methods through which organization finance its operations are as follows.

Short Term financing

Bank Overdrafts

- Main feature is OD's are short term and can be taken without much effort within very short period of time
- Suit for temporary working capital requirements
- No security is required
- Lead time is minimum

Factorization

When the proceeds from customers are likely to be delaying or there is possibility of being bad factorization is a fine method of hedging such risk and managing working capital so that company will not be affected by adverse conditions in financing its operations.

Delaying payments to suppliers

This would be the most cheap method of managing short term working capital requirements