Date __/__/____

Page No.: ______

instrument and can be traded freely like any other security.	a GDR except that it can be issued only to american citizens can be issued only to ameri-can be listed and traded on a stock exchange of USA.

Q5. Explain trade credit and bank credit as sources of short-term finance for business enterprises.

Ans5. Trade credit is the credit extended by one trader to another for the purchase of goods and services. Trade credit facilitates the purchase of suppliers without immediate payment. Trade credit is commonly used by business organisations as a source of short-term financing. It is granted to those customers who have reasonable amount of financial standing and goodwill. The volume and period of credit extended depends on factors such as reputation of the purchasing firm, financial position of the seller, volume of purchases, past record of payment and degree of competition in the market. Terms of trade credit may vary from one industry to another and from one person to another. A firm may also offer different credit terms to different customers. ~~to~~

Commerical banks occupy a vital position as they provide funds for different purposes as well as for different time periods. Banks extend loans to firms of all sizes and in many ways, like, cash credits, overdrafts, term loans, purchase / discounting of bills, and issue of letter of credit. The rate of interest charged by banks depends on various factors such as the characteristics