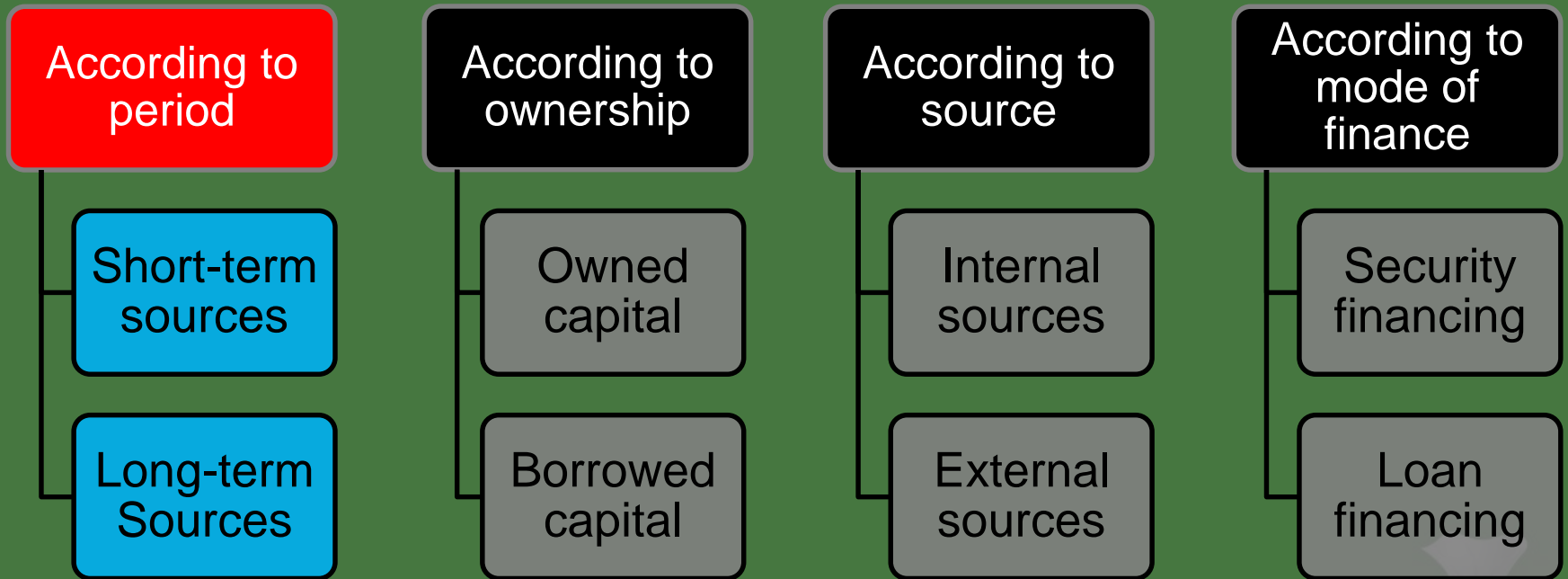


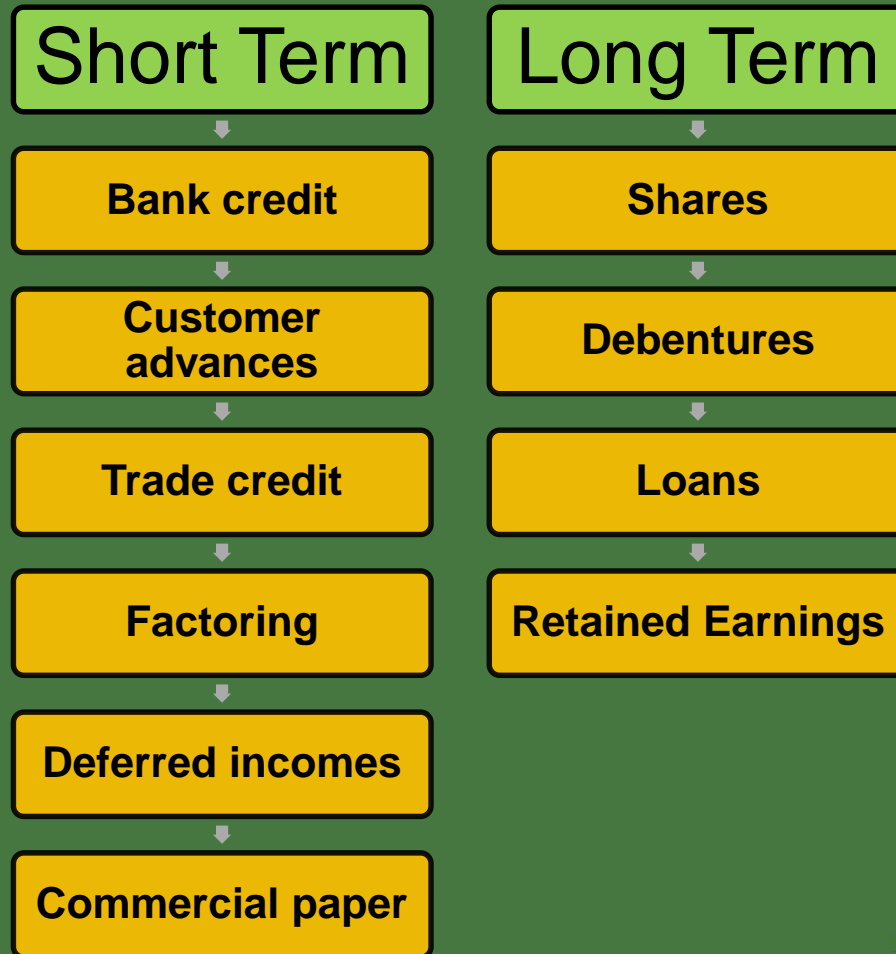
Sources of Finance



Classification of sources



According to Period



Shares

- Equity shares
- Deferred shares
- No par shares
- Preference shares
 - Cumulative & non-cumulative
 - Redeemable & irredeemable
 - Participative & non-participative
 - Convertible & non-convertible



Characters

Equity shares

- ✓ Maturity
- ✓ Claim on assets
- ✓ Voting rights
- ✓ Pre-emptive rights
- ✓ Limited liability

Preference shares

- ✓ Maturity
- ✓ Claims on income
- ✓ Claims on assets
- ✓ Control
- ✓ Hybrid form of securities



Debentures

- ✓ Simple or unsecured debentures
- ✓ Secured or mortgaged debentures
- ✓ Bearer debentures
- ✓ Registered debentures
- ✓ First & second debentures
- ✓ Redeemable debentures
- ✓ Irredeemable debentures
- ✓ Convertible debentures
- ✓ Zero Coupon debentures
- ✓ Guaranteed debentures
- ✓ Collateral Debentures



Features

- ✓ Maturity
- ✓ Claims on income
- ✓ Claims on assets
- ✓ Control
- ✓ Call feature

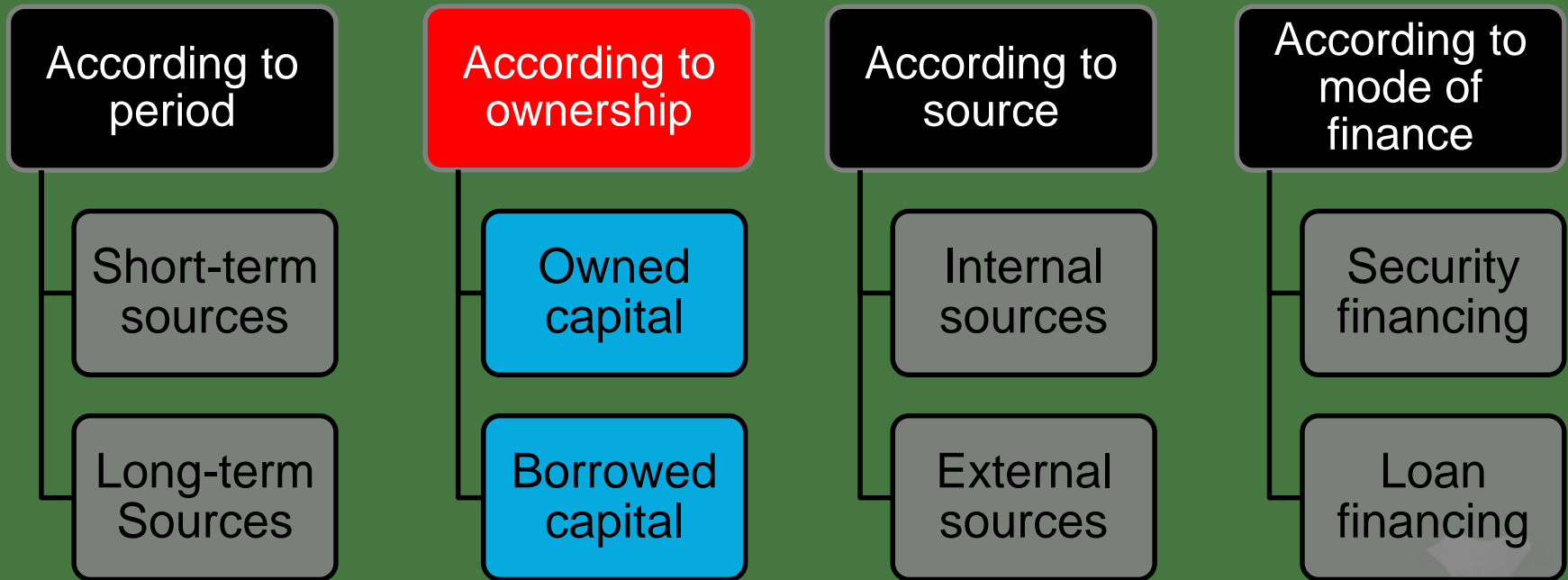


Difference between shares & debentures

- ✓ Nature (capital or debt)
- ✓ Return
- ✓ Rate of return
- ✓ Charges against P&L or appropriation a/c
- ✓ Voting rights
- ✓ Redemption
- ✓ Treatment at the time of liquidation



Classification of sources



According to Ownership

Owned Capital

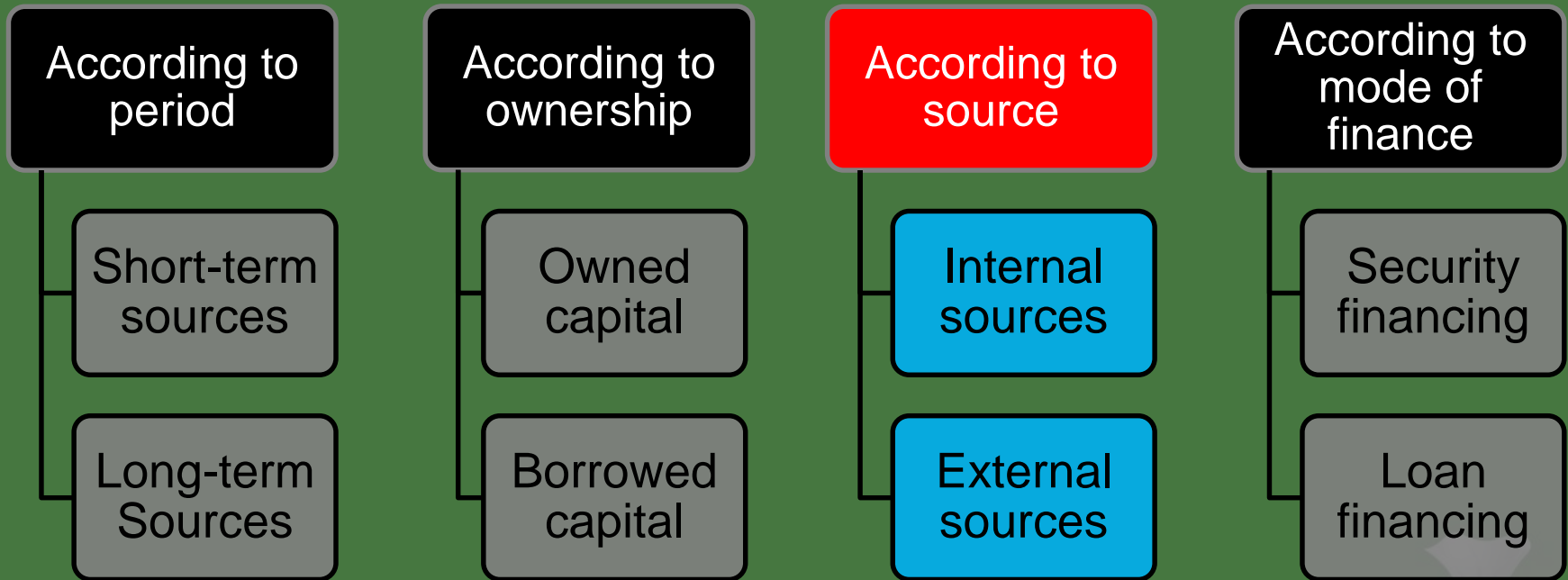
- ✓ Equity shares
- ✓ Deferred shares
- ✓ No par shares
- ✓ Retained Earnings

Borrowed capital

- ✓ Debentures
- ✓ Loans from banks
- ✓ Loans from FI



Classification of sources



According to Source

Internal

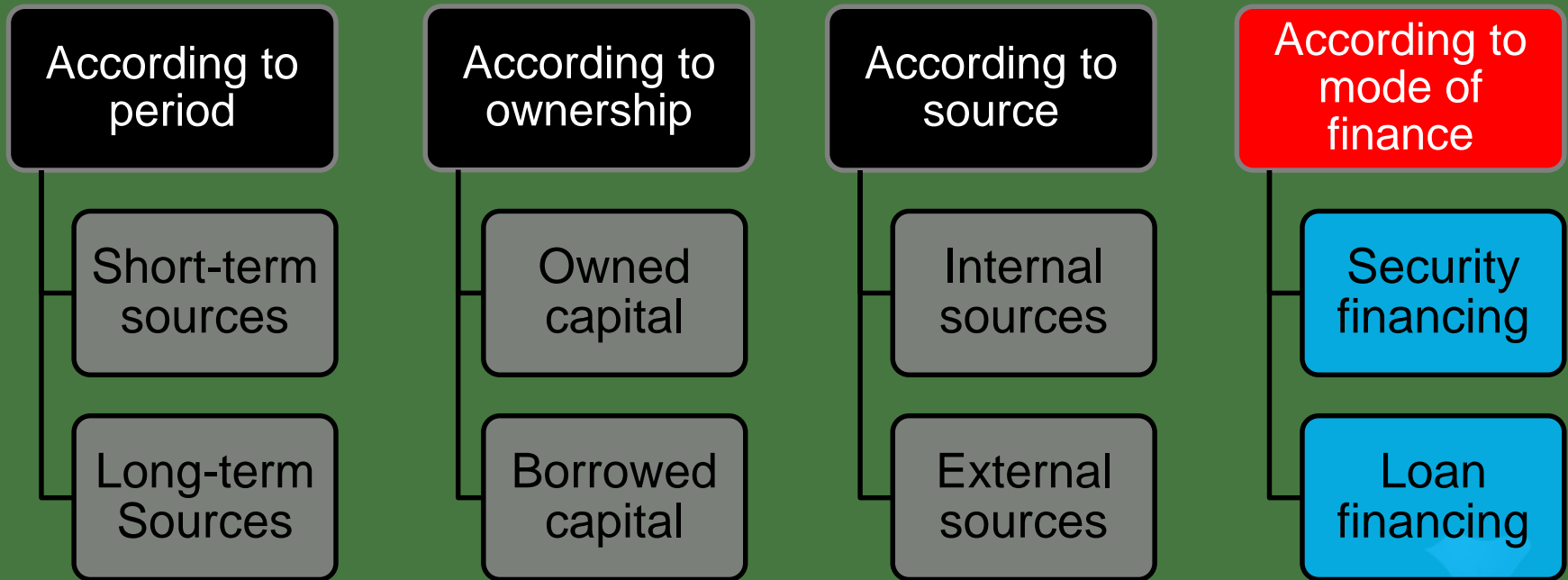
- ✓ Retained Earnings
- ✓ Right shares
- ✓ Bonus shares

External

- ✓ Debentures
- ✓ Loans
- ✓ Factoring
- ✓ Public deposits
- ✓ Commercial papers



Classification of sources



According to Source of finance

Security

- ✓ Shares
- ✓ Debentures
- ✓ Commercial papers

Loan

- ✓ Loans from Banks
- ✓ Loans from FI
- ✓ Customer advances
- ✓ Trade credit
- ✓ Factoring



Other Sources

Lease Financing

- Operating lease
- Financial Lease
- Sale and lease back

Venture Capital Financing

- Early stage financing
- Expansion financing
- Buyout financing

Hire Purchase Financing

Installment purchase

Sale of assets

