

Financial cost

Business



TASK 2: Task 2 Financial cost is the cost, charges and interest which are involved in the borrowing of money in order to build or purchase assets such as machineries.

Financing costs involves the total expenses associated with securing a project or a business arrangement in matters concerning finances.

Analysis of costs of sources of finance

SOURCES OF FINANCE

COST OF FINANCE

Long term loan

The resulting cost of finance is high rate of interest.

Sale of fixed assets

It results to a high risks of loss and reduces the current capital

Venture capital

It poses a risk that in its occurrence could accrue substantial loss

Trade debtors

Default and delayed payments

Ordinary shares

Its disadvantageous as it has no claims over the preference shares

Hire purchase

There is an additional cost compared to cash purchase

Task 2. 2

Financial planning is referred to as a process of meeting individual or organizations goals' goals through proper finance management. Financial planning quite involves some effective steps. Gathering relevant financial information and setting achievable goals are some of the steps. There is need to examine current financial status thus coming up with a financial

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strategy for how to meet the stipulated goals. Implementation of the financial plan and effective monitoring its success through adjustments is necessary.

Importance of financial:

Give at least five importance of financial planning to a business. Also give specific examples how financial planning can be useful to Softwood limited. Financial planning helps in effective cash management in a business. When a financial plan is developed, it helps in keeping a tight rein on expenditures during the low revenue periods. Another importance of setting up a financial plan is that a long-range view is presented. The business is able to focus on the issues which on a daily basis must be dealt with accordingly. The financial plan allows the business owners see what expenditures need to be made in order to keep the company grow and stay ahead of its competitors. It also helps a business since spotting trends is an easy thing. This is because a financial plan involves setting quantifiable targets which can be compared to results that are real during the year. It enhances expenditure prioritizing by conserving financial resources hence making the business successful. Measuring progress is also enhanced through creation of a financial planning. Financial planning has helped Softwood Ltd control and manage cash flow in terms of revenue and expenditure. It has also helped in determining the current financial status and plan for future activities in respect to money. Its progress has been able to be measured due to financial plan availability.

Task 2. 3

Information is data. The various factors that make information reliable are; accuracy, credibility and flexibility.

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INFORMATION NEEDS FOR DIFFERENT DECISION MAKERS

In this section identify different decision makers and explain what decisions they make and what kind of information they need to make those decisions.

DECISION MAKERS

INFORMATION AND DECISIONS

Aggregators

They focus on a decision which involves drawing in new acquisitions which help them form strategies of decision making away from transformation.

In order to make this decision, they get information which deals with strong orientation towards the stock markets and the demand for growth which is predictable.

Multifocal strategists

These are decision makers in companies who draw strategies related to their core business.

They need information which entails new idea generation techniques in order to make out their decisions effectively.

Brand-Centric Core companies' decision makers.

Decision makers derive information from quite static and traditional values in relevance to core competencies.

They seek customer trust from an overarching narrative based around corporate traditions.

Task 2. 4:

Financial statements are formal records which outline the financial activities of a business or an individual or any other entity.

SOURCES OF FINANCE

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THE BALANCE SHEET

THE PROFIT AND LOSS ACCOUNT

THE CASH FLOW STATEMENT

Long term loans

credited

credited

Debited

Government grants

credited

credited

Debited

Trade credit

credited

credited

Debited

Ordinary shares

credited

credited

Debited

Sale of fixed assets

credited

credited

Debited

References

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