Ieee case study

Business

Share is the first option for a listed firm because it is cheap and quick way to raise funds. One of the benefits of issuing shares Includes unlimited pool of investors In the capital market that can enhance the Issuer's flexibility.

For example, If the project needs additional IEEE Million to begin, the firm can simply Issue 300 million, one way of reducing one of the disadvantages of share Issue which is loss of control because the firm can regulate the amount of shares to be issued to protect the governance structure it targets.

Another advantage of shares is that the common practice of using the services of uncial institution such as investment banks can strengthen the confidence of the issuing firm that the project will be financed whatever happened. Most institutions undertake underwriting services where they do not only try to sell the shares of the issuer in the capital market but more importantly will assure that such shares are goods-sold. It means that these institutions will give the required funding of the Issuer ever If there Is a lack of share buyers.

Apart from the primary benefits of shares, the aspect of going through public scrutiny and firmer regulatory demands an reduce the decommissioning independence of the listed firm.

This means that it has to acquire some ethical considerations as indirect payment of using unlimited public funds. Entering a venture capital deals is also an alternative means of raising funds. This is especially true when the listed company is seen as holding a big potential of becoming profitable in the future by venture capitalists.

As venture capital is supported by large companies and wealthy investors, they can easily supply required funds for a new project. The core strength of this financing option is the generous purport that venture capital can give to prospective firms. Compared to financial institutions described In share underwriting, venture capital can even extend Its funding to high risk projects with minimal guarantee from the listed company.

However, the bottleneck is the same as share financing wherein there is a huge possibility Tanat ten Orlando management AT ten last company wall loose control over governance.

Not only this, venture capital also demands distribution of profits unlike share issue where dividends are not required. Government funding can also be tapped but this is a slightly awkward source for some companies. One advantage is that the total cost of the project can be financed by the government through National Lottery, European Union and other organizations with similar functions. However, this extreme benefit may be outweighed by the expensive paperwork, monitoring and ultimately loss of control that underlie the contract.

Another issue is that not all public or listed companies reflect public services and welfare within their objectives.

As a result, it is difficult for firms to be included in key priority areas of government where total funding is possible. Lastly, if ever total funding is applied, the listed company has the tendency o be assumed as public asset because the project cost is funded by the government. Pricing strategies, quality and non-financing factors in its operations will be strictly monitored

and regulated. Perhaps the primary source of short-term financing, bank loans are also offered where payment can lasts up to 25 years.

Due to the familiarity of the bank to the listed firm because it is the source of the latter short-term funds, application of long- term loan is accelerated.

Paperwork and other slowdown are reduced due to relationship that is built in the course of business. However, unlike share and endure capital, loans must be repaid even without profits or else the listed firm will loose reputation and may not be accepted by institutions for future loans. With bad revenues and project returns, this restriction aggravates the problematic task of paying interests due to unpredictable rates.

The ease of getting the loan is offset by the risk of default. Common to small businesses, loan using mortgage can reduce the risk in bank loans.

Mortgage is a property that serve as guarantee to the lender that the borrower can somehow pay what is due even if the project or expansion plans turn-out to be unsuccessful. In this case, the lender has the right to sell the property and turn it to cash. For the listed company, mortgage can be beneficial when it has idle' assets that are not likely not a key to its strategic plans. Such assets can be mortgaged to raise a fund for more worthwhile and productive projects.

Even if the project is a failure, the lender will pull-out idle assets that are not crucial to survival of the listed firm.

It is important to note that the borrower should allow the drawing of the mortgaged asset as a last resort and continue paying the required interest

payments radically. Retained profit is the idea behind the policy of a listed firm to delay payment of dividends. This option is attractive when the business is under start-up, growing and expanding stages. However, when It Is matured, nagging ten Leavens Tort so long can disrupt the loyalty of shareholders.

For the listed firm eyeing a long-term project, retained profit is strategic source because it comes from the savings of the company and it need not to bother about loss of control, interest, default, and mortgaged.

However, retained profits highly depend on the past revenue results of the firm which mean minimal value. This amount is insufficient to fully support a long-term project. Selling assets can also be seen as source of funding. This is an advance version of mortgage option wherein assets are instantly sold to reduce concerns over interest payment and sudden closure of the mortgaged asset.

Divestment is a good example of this type of financing where the company intends to take-off some of its leapfrogging business areas and divert the funds to potential business earners. In the case of a listed firm, subsidiaries can be sold in order to simplify the business ND raise funds for the project.

It can get away from disadvantages of external financing and retained earnings by simply creating money out of its own assets. These assets could likely be from business areas that generate low revenues for some time. In effect, the selling process can eliminate the problem of inefficiency and solve the issue of financing simultaneously.

On the other hand, the listed company must find a generous buyer to suffice its needs for additional funds not to mention complete appraisal on both the financial and strategic value of the asset. Conclusion Different sources of long-term financing have their positive and negative impact to the listed firm.

Therefore, the firm must use more than one of these sources to form an efficient portfolio of funding. To illustrate, when the firm feel that it will loose control of governance when it will continue to issue shares, it can stop the issue and even announce buy-back programs.

The lacking funds can be then sourced from bank loans. Simply put, different sources provide the ability for the firm leverage its risks. If the firm is risk-averse on control/ interest payments, it will use interest-based/ harassed financing.

Overall, the firm has options that are there to support during turbulent times (e. G. Long-term project financing). On Book and Market Values According to (2002), financial statement (FSP) is relevant if it influences the decision of the users while it obtains reliability if the content has quality and materiality that can be assured by auditors and authorities (2006).

With different components of FSP, varying principles in valuing assets and pool of users, these characteristics are attainable. For steward purposes, users are assured that their key interest accounts n FSP is recorded in an organized manner for easily access and understanding.

Firms cannot Marlene recording Importance Decease It Is also crucial to tenet strategic planning. In effect, the reliance of business and users to FSP stewardship is evident which makes relevance and reliable information an end-product of such relationship.

The record will reveal how the company accomplishes its responsibilities to specific stakeholders while it has also the ability to reflect how such stakeholders reward the company from such accomplishment. In the end, FSP will hold these features as long as both arties are willing and able to continue their relationship with one another. For decision-making purpose, FSP has components that are intended to specific users as well as additional attachments to reflect the necessary papers to merit every entry.

As a result, users can utilize the information for better decision-making without anxiety that they are too complex or too bias. FSP is also regulated by authorities that can induce responsible reporting by entities. Every capital asset or an asset whose useful life is at least one year is used to generate revenues either direct or indirect manner. In effect, it is Justified that warranted-tear/ income generating capability of the asset would have implications in valuating its current value.

However, at times when such assets are not often used or simply the firm cannot maximize its potential, is it also Justifiable/ rational to valuate its current value despite of lesser usage/ inefficiency? This question can be answered by depreciation concept in accounting. Accumulated depreciation represents the money value of a capital asset charged against its historical cost to reflect the current value of such assets.

The resulting amount would show the adjusted money value of he assets since the provision of depreciation in the asset becomes a contra-account to the former.

As the computed depreciation for a certain asset has its tax implications for the firm (e. G. Where it can strategically defer tax payments for short-term capital), picking-up the appropriate method of depreciation computation is crucial. It can be approached by either using the useful life of the capital asset or acceleration. The former is mostly prepared for investor reference (as to view the yearly depreciation amount of the asset) while the latter for tax documents (as to take advantage of deferred tax aments).

Straight line depreciation falls under useful life orientation and is considered the easiest method. Such method merely requires the firm to know the useful life of an asset, original price and salvage value to be able to determine annual depreciation. In this case, the resulting amount for following years would be similar all throughout. Amortization catalysts like depreciation though it reflects the value of a fixed asset by reducing its original value by the amount deemed wasted due to transactions or events specifically in leasing.

The concept validates the original value of the asset gallants ten DID AT lessee wince Is commonly Delve ten asset’s cost. W amortization does is to charge the annual costs of a certain lease agreement against annual profit of the firm.

It is Just like depreciation such that it is treated as an expense for the lessee although with a direct deduction to profit unlike depreciation which is a

contra account in the balance sheet. It is written in the lessees balance sheet as capital-lease asset's and with counter-liability account obligation under capital lease'.

They also differ because amortization refers to intangible assets such as goodwill, tents and trademarks while depreciation is on tangible ones. Further, the former periodic written-offs to earnings for a period over 40 years is considered by firms unnecessary'. Amortization is important to avoid reliability of financial statements particularly balance sheet in which most firms place a value of their brands without amortizing them.

By doing this, stock price relevant to publicly traded corporation could benefit the value-added contributions of the intangible assets of the firm.

After-tax cost of irredeemable debt capital KDE = (l/ BOO) * (1 – T) Cost of irredeemable preference share capital kip = EDP/ Pop Cost of equity capital eke = (DID Spot) + g NOTE: kip and eke results indicate the possibility of further computing their respective after-tax profits with statutory personal tax rate on dividends within a classical tax system. And so, After dividend tax cost of irredeemable preference share capital kip = ((EDP*30%)/ Pop) After dividend tax cost of equity capital eke = ((DID/ Spot) + g)/ (1-30%) Cost of capital reflects the investors required rate of return.

Since their capital gains in the form of dividends is deducted with 30% capital gains tax, it will result to higher expected returns for the firm. Weighted Average Cost of Capital (WAC) aka = wad*KDE + WAP*kip + we*eke WAC Tables The Small Business Administration (SABA) is a United States government agency that provides support to small businesses. The

mission of the Small Business Administration is “ to maintain and strengthen the nation’s economy by enabling the establishment and viability of small businesses and by assisting in the economic recovery of communities after disasters.

The SABA does not make loans directly to small businesses but does help to educate and prepare the business owner to apply for a loan through a financial institution or bank. The SABA then acts as a guarantor on the bank loan. In some circumstances it also helps to procure loans to victims of natural Lassoers, works to get government procurement contracts Tort small businesses, and assists businesses with management, technical and training issues.

The SABA has directly or indirectly helped nearly 20 million businesses and in 2008 had a loan portfolio of roughly 219, 000 loans worth more than $84 billion making it the largest single financial backer of businesses in the United States. [3] A line of credit is any credit source extended to a government, business or individual y a bank or other financial institution.

A line of credit may take several forms, such as overdraft protection, demand loan, export packing credit, term loan, discounting, purchase of commercial bills, etc.

It is effectively a bank account that can readily be tapped at the borrower’s discretion. Interest is paid only on money actually withdrawn. Lines of credit can be secured by collateral or unsecured. Lines of credit are often extended by banks and financial institutions to creditworthy customers to address liquidity problems; such a line of credit is often called a Personal Line of

Credit. The term is also used to mean the credit limit of a customer, that is, the maximum amount of credit a customer is allowed.

Edit]Cash credit A cash credit is a short-term cash loan to a company. A bank provides this type of funding, but only after the required security is given to secure the loan. Once a security for repayment has been given, the business that receives the loan can continuously draw from the bank up to a certain specified amount. What IS a USC Lien? By Halley Harrison, oho Contributor I want to do this! The USC, or Uniform Common Code, is a universal code for trade seed in all 50 states, as well as the District of Columbia, Puerco Rice, Guam and the U. S. Virgin Islands.