



FUNDING WORKING CAPITAL



- chartered accountants
- corporate finance
- technologies
- wealth management

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DIFFICULT TIMES!!!!!!



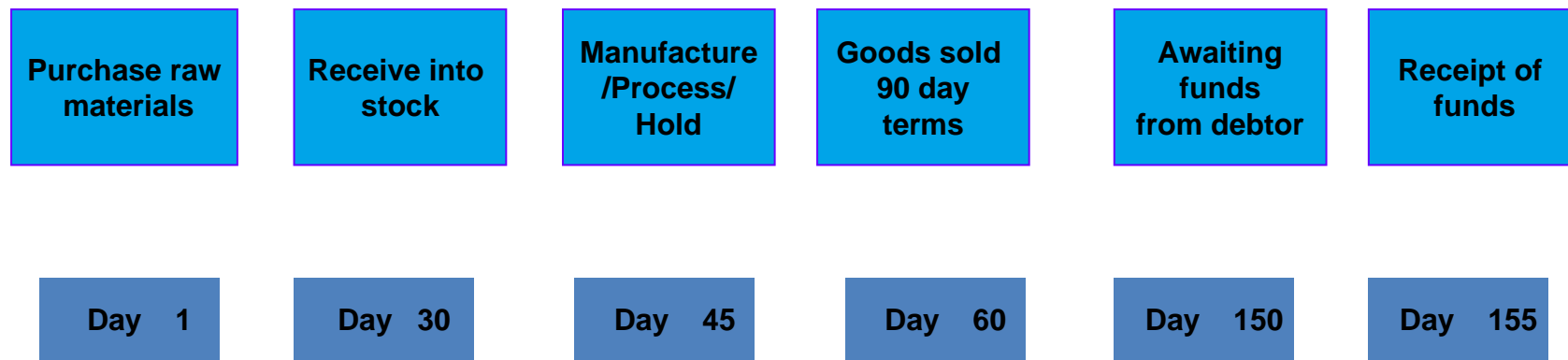
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Working Capital Cycle



Typical Cash flow requirement (155 days)



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The Perfect World

- Take maximum credit before paying suppliers
- Collect money owed as quickly as possible
- Turn stock into sales as quickly as possible

The Perfect World



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Funding sources

- Suppliers
 - Stock finance
 - Letter of credit
 - Overdraft
- Customers
 - Invoice discounting
 - Letter of credit (discounted)

The True Cost of Discount



1% discount to pay within 10 days rather than 30 days normal credit terms

$$\text{Value of discount} = \frac{\text{Discount}}{100 - \text{Discount}} \times \frac{365}{\text{Net days} - \text{discount days}}$$

$$\text{Value of discount} = \frac{1}{100 - 1} \times \frac{365}{30 - 10}$$

Value of discount = 0.184 or 18.4%

Actions

- Really understand which parts of your trade cycle are consuming cash
- Consider terms received from suppliers
- Consider terms offered to customers
- Check out whether settlement discounts are costing more than you think
- Involve your bank/professional advisers