



Finance Help Sheet

The finance department is responsible to fund all the company's expenses, and investments made in the current year.

How do we raise cash?

We can raise cash through borrowing (current debt), issuing bonds (long-term debt), and by issuing stock.

- **Borrowing current debt:** This is cash we receive when we borrow from the bank. We receive the cash in the current year, and are obligated to pay it back next year. We pay interest on this debt.
- **Issuing bonds:** These are long term bonds (agreement to borrow money and pay interest) which are due in 10 years. We pay interest on these each year, and brokerage fees when we issue these.
- **Issue stock:** Stock is a partial share of ownership into the company. We receive cash in exchange, but we do pay a small fee when we sell company stock

When would we need to raise cash using each method?

- Current debt should be used to cover expenses such as R&D, marketing, accounts receivable, etc... We use this when needed to get to a safe cash position.
- Bonds are to finance capital expenditures. These consist of capacity and automation purchases in the production department. Long term investments are normally financed with long term debt.
- **Common Stock:** Should also be used to finance capacity and automation.

What do we do with extra cash?

In some situations, we will have extra cash, this excess could be used in marketing or production, but sometimes there is more than we need. We should avoid excess cash. This is normally recommended for later rounds as using cash to invest back into your company early on is more beneficial. Here are the options we control in finance:

- **Retire long term debt:** Retire meaning we pay off the bond early. We use our cash to pay off some of our bonds. This saves us interest, but there are fees to pay off bonds early
- **Buy back stock:** This is a good way to use cash when no further investment is needed. We reacquire stock we have sold in the past
- **Issue Dividends:** Dividends are money paid to our shareholders with our past/current earnings.

How to we pay off current debt?

Current debt is paid off on its own. It cannot be defaulted on, and anything due this year is already factored into the Closing Cash Position.

Cash Flow

Starting Cash Position
January 1, 2018 **\$6,100**

> Cash from Operating **\$2,160**

> Cash from Investing **(\$9,300)**

> Cash from Financing **\$3,500**

Effects of
Exchange Rate **\$1,500**

Closing Cash Position
December 31, 2018 **\$4,500**

What is the closing cash position?

This is the amount of cash we are projected to have based on our sales forecast and decisions for the current round.

What do you mean projected?

This is essentially a what-if statement. If we sell what we thought, we will have that amount of cash. However, if we sell less than expected, we will have less cash. If we sell more, we will end with more cash.

How much cash should we carry?

You should carry enough cash to where you have planned for the case where you sell somewhat less than expected, but not too much, as carrying too much cash is not ideal.