The Finance Department makes sure the company has the funds it needs to operate through the year. If it doesn't, a lender of last resort we call Big Al will show up with check for an emergency loan.

You don't want to meet Big Al because his interest rates are extremely high.
<pause>

A good chunk of the money you'll need to run your company will come from operations…

…but to be successful, a company needs to grow. You'll need to turn to the banks and markets to fund that expansion.

You can raise money through:

Current Debt
Bond Issues
Stock Issues

Interest on bond issues is 1.4 percent higher than this year's current debt rate. If your current debt interest rate is 12.1%, then the bond rate will be 13.5%, but this rate is locked in for ten years.

Brokers charge a 5 percent fee for issuing Stocks and Bonds.

The December 31st cash position is copied from your proforma Balance Sheet.

You want this number be positive.

If it is not, there's a good chance Big Al will show up. His interest rates are seven and half percent higher than current debt interest rates.
….
Selling production capacity is another source of cash. Do you have production capacity that is underused and gathering dust? Capacity can be sold for 65 percent of its purchase price.

Think carefully about selling underused capacity, however, if you think you'll need it in the future. Think about your long term needs.

Finance also helps determine Accounts Receivable and Accounts Payable credit policies. Both A R and A P can be set by the Marketing Department, and A/P can be set by the Production Department, so these entries require coordination.

Lengthening Accounts Receivable means customers have more time to pay. They will find your products more appealing, but this will tie up cash.

Lengthening your Accounts Payable policy will free up cash, but the longer you take to pay your suppliers, the slower they'll deliver materials to your production lines which can hold up manufacturing.

Higher AP policies increase labor costs because workers stand around waiting for material to arrive.

<pause>
As your company grows and becomes profitable, you can pay a stock dividend…

Buy back stock…

Or retire bonds

Brokers charge 1. 5 percent to retire Stocks and Bonds.

There are no brokerage fees for bonds that are allowed to mature.
There’s never a good reason to accumulate cash. Excess cash should be re-invested in the business, given back to shareholders in the form of dividends, or used to buyback stock and bonds.

<pause>

Good Luck!