

Current Financing

By Charles T. Byrd Jr.

In today's business world it is almost impossible to operate a business without incurring short-term or current obligations.

date within a one-year period of time. Current financing means using short-term sources of funds.

The major sources of current financing include commercial banks, insurance companies, finance companies, factors, commercial paper houses and others. The most common source is that extended by trade creditors and other suppliers of goods or services. A well accepted principle in business finance is that permanent needs should be permanently financed and temporary needs temporarily financed.

Using temporary sources to finance permanent needs is a very high risk venture. The new source is subject to the approval of outsiders and present existing conditions. Permanent financing of temporary needs is also undesirable in that it leads to excess capital. When the temporary assets have been liquidated, the business will have funds and also the long-term obligation to pay the supplier for the use of them.

In order to apply the above stated principle, the financial manager must decide which needs or uses are temporary and which are permanent. In most businesses fixed assets are thought of as a permanent need. Also of a permanent nature, the business must maintain minimum levels of inventory and amounts of cash. A good example of a temporary need is the financing of inventory build-up in order to meet seasonal requirements such as department stores do for the Christmas season.

Current financing has the advantages of being easier to obtain and more available with less advance planning than other types of financing. Since payment is due in a shorter period of time, the risk of lending is generally thought to be less than that for long-term creditors, thus a lower interest rate.

The major disadvantage is the responsibility that it places upon the borrower. The business commits itself to repayment at some stated time within twelve months. With a longer time of maturity, there is more time to plan new sources of funds to meet payments.

The advantages and disadvantages of current financing vary with the source being considered. Most firms find it advantageous to utilize a variety of sources. Each must be considered with reference to cost, risk, control, flexibility, and availability.

Lynch-Lowery Vows To Be Spoken

Mr. & Mrs. Jessie Thompson announces the engagement of their daughter, Willie Mae Lynch to Willie M.

Lowery. The wedding vows will be shared at the White Rock Baptist Church, on December 14, 1974.

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Local Corpsmen Take Leave

PVT. Jerry Wade Evans, son of Mr. Jerry Gonner of 49 Plaza Apts., Manley Street Winston-Salem, recently visited with his family and friends after graduation from Marine Corps Recruit training at Parris Island, South

High School, will report to Camp LeJeune, North Carolina for field skill training as a wireman in Operational Communications.

PVT. James Marshall Hin-nant, grandson of Mr. and graduate of R.J. Reynolds Avenue, Winston Salem

recently visited with his family and friends after graduation from Marine Corps Recruit Training at Parris Island, South Carolina. James enlisted for a four year general enlistment and will report to Camp LeJeune, North Carolina for field skill training.



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