



RUKMINI DEVI
Institute of Advanced Studies

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DOSSIER

On

Submission of Dossier for Class room Lecture-"Factoring as a Technique of Receivables Management" for MBA by Mr. Amit Kumar

Department of Management Studies- MBA

On

October 8 , 2018



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FORM A

Proposal :

- **Name Of the event to be organized :** Submission of Dossier for Class room Lecture-"Factoring as a Technique of Receivables Management" for MBA by Mr. Amit Kumar
- **Date :** October 8 , 2018
- **Time :** 11:20 am -1:00 pm
- **Venue :** Class Room Block B Room No.103 & 104
- **Organized By:** Department of Management Studies- MBA
- **Motivation for the activity :** Factoring is a relatively new concept in the finance world and the students who are going to be the future managers should be aware of these developments in the industry. With this motivation a class room lecture was planned for students of MBA- First Semester.

Form B

Part 1

Aim of the event :

The aim was to make students familiar with the term of Factoring and how has it impacted the industry. The new concept was to help students get acquainted with financing and how is it different with the traditional financing methods.

Part 2

Abstract :

A factor is an intermediary agent that finances receivables. A factor is essentially a funding source that agrees to pay the company the value of an invoice less a discount for commission and fees. The factor advances most of the invoiced amount to the company immediately and the balance upon receipt of funds from the invoiced party.

Factoring is not considered a loan, as the parties neither issue nor acquire debt as part of the transaction. The funds provided to the company in exchange for the accounts receivable are also not subject to any restrictions regarding use. Factoring, receivables factoring or debtor financing, is when a company buys a debt or invoice from another company. Factoring is also seen as a form of invoice discounting in many markets and is very similar but just within a different context. In this purchase, accounts receivable are discounted in order to allow the buyer to make a profit upon the settlement of the debt. Essentially factoring transfers the ownership of accounts to another party that then chases up the debt.

Factoring therefore relieves the first party of a debt for less than the total amount providing them with working capital to continue trading, while the buyer, or factor, chases up the debt for the full amount and profits when it is paid. The factor is required to pay additional fees, typically a small percentage, once the debt has been settled. The factor may also offer a discount to the indebted party.

Factoring is a very common method used by exporters to help accelerate their cash flow. The process enables the exporter to draw up to 80% of the sales invoice's value at the point of delivery of the goods and when the sales invoice is raised.

"Finance is the backbone of any economy" and is divided into 2 categories:

- Fund Based
- Non Fund Based

Factoring is a receivables management service where you get cash against credit sales and this can be done in 3 conditions:

- Debt Collection
- Sales Ledger Management
- Credit Protection for Exports

It is basically funding of Account Receivables against their assignment in favor of a factor "with" or "without" recourse basis.

There are situations where in Factoring is applicable that is:

- Situation of Open A/c's sales
- Involving continuing relationships
- Assignment of whole turnover.

The students were told about the difference of factoring and traditional banking system that is factoring is completely Cash Flow Based where as Banking is Balance sheet based. Not only this we got to know the difference of factoring and Bill Discounting as well which helped us gain a deeper sense of financial knowledge.

Part 3

Conclusion

The session was very useful and fruitful for students who plan to take up finance as their core domain as they got to know the nuances of how Factoring is different from Banking System as students generally tend to get confused on factoring being similar to Banking.

SnapShot



Resource person sharing his inputs with the students



Students attending the session with a lot of curiosity and enthusiasm



Learning about the subject