

MBA SEMESTER-III

FINANCE GROUP

FMG 301

CORPORATE FINANCE



Yashwantrao Chavan
Maharashtra Open University



MBA : SECOND YEAR

SEMESTER III

FINANCE GROUP

Corporate Finance

Authors : Dr. Satish Kumar, Dr. Latika Ajbani

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YASHWANTRAO CHAVAN MAHARASHTRA OPEN UNIVERSITY

VICE-CHANCELLOR : Prof. E. Vayunandan

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Open University, Nashik

Prof. Vinay. K. Nangia

Professor & Former Head
Department of Business Studies,
Indian Institute of Technology (IIT)
Roorkee

Authors

Dr. Satish Kumar

Assistant Professor
Department of Management Studies
Malaviya National Institute
of Technology, Jaipur

Dr. Latika Ajitkumar Ajbani

Assistant Professor
School of Commerce &
Management
Y. C. M. Open University, Nashik

Editor

Dr. Deepak Verma

Assistant Professor
Department of Management Studies
Malaviya National Institute of
Technology, Jaipur

Instructional Technology Editing & Programme Co-ordinator

Dr. Latika Ajitkumar Ajbani

Assistant Professor
School of Commerce & Management
Yashwantrao Chavan Maharashtra
Open University, Nashik

Production

Shri. Anand Yadav

Manager, Print Production Centre, Y. C. M. Open University, Nashik- 422 222

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UNIT 2 : LONG TERM SOURCES OF FINANCE

Long Term Sources of Finance

Structure

- 2.0 Introduction
- 2.1 Unit Objectives
- 2.2 Long Term Financing Needs of a Business
- 2.3 Long Term Financing
- 2.4 Advantages of Long Term Financing
- 2.5 Sources of Long Term Finance
 - 2.5.1 External Sources of Finance
 - 2.5.2 Internal Sources of Finance
- 2.6 Key Terms
- 2.7 Summary
- 2.8 Questions and Exercises
- 2.9 Further Readings and References

NOTES

2.0 Introduction

Finance is the life blood of any business, whether it is small or large. Without adequate finance, no business can possibly achieve its objectives. Finance is major factor involved in the success of any organization. The need of finance depends on various factors like size and the nature of the business. Without adequate finance business cannot survive in the market. There are various sources to raise the money for the new and existing project. Bank loans, loans from specialized financial institutions, raising money from capital market in form of Bonds, debenture or equity shares, loans from foreign countries are among few alternatives available to the organizations. Exact suitability of these sources depends on number of factors like nature of business, amount of finance, credit rating of the firm and purpose of finance etc. The main objective of this unit is to discuss various alternative sources of financing the long term business requirements along with their merits and demerits.

2.1 Unit Objectives

After studying this unit, you should be able to -

- Understand the financial need of a business
- Be aware about the different sources of long term finance
- Outline the merit and demerit of long term sources of finance