

41 Lecture - MGT201

Important Subjective

1. **What is short term financing and what are some common examples of short term financing?**

Answer: Short term financing refers to borrowing money for a period of up to one year. Common examples of short term financing include bank loans, lines of credit, and trade credit.

2. **What is long term financing and what are some common examples of long term financing?**

Answer: Long term financing refers to borrowing money for a period of more than one year. Common examples of long term financing include mortgages, bonds, and term loans.

3. **What is lease financing and what are some common types of leased assets?**

Answer: Lease financing involves the use of a leased asset in exchange for regular payments, without actually owning the asset. Common types of leased assets include equipment, vehicles, and real estate.

4. **What are the advantages of short term financing?**

Answer: The advantages of short term financing include flexibility, ease of obtaining, and the ability to meet short term cash flow needs.

5. **What are the disadvantages of short term financing?**

Answer: The disadvantages of short term financing include higher interest rates, the need for frequent renewals, and the potential for cash flow problems if the financing is not used appropriately.

6. **What are the advantages of long term financing?**

Answer: The advantages of long term financing include lower interest rates, the ability to make large investments, and the ability to plan for the long term.

7. **What are the disadvantages of long term financing?**

Answer: The disadvantages of long term financing include the potential for higher overall costs due to interest, the need for collateral, and the potential for restrictions on how the funds can be used.

8. **What are the advantages of lease financing?**

Answer: The advantages of lease financing include the ability to use an asset without actually owning it, the ability to upgrade equipment regularly, and the potential for tax benefits.

9. **What are the disadvantages of lease financing?**

Answer: The disadvantages of lease financing include the potential for higher costs over time, restrictions on the use of the asset, and the potential for long term commitments.

10. **How can a business determine which type of financing to use?**

Answer: A business can determine which type of financing to use by considering factors such as the purpose of the financing, the length of time the funds will be needed, and the business's overall financial situation.