

EQUITY FINANCE

- Excess Cash - Decreases cash available for dividends
- Issuing shares - Impacts control
- Rights issue - No impact on control

PREFERENCE SHARES

- Preference claim to distributable earnings
- No **right to dividends**, but **receives dividends before** ordinary shareholders

FACTORS TO CONSIDER

- Availability
- Suitability to **type of business / asset financed**
- True Cost <Tax Deductibility>
- Associated Constraints
- Impact on Risk Profile
- Impact on Control
- Matching / Pairing to **existing** finance

FINANCING DECISION

ADVANTAGES OF DEBT

- Debt is cheaper
- Interest is tax deductible
- Lower issue cost
- No immediate impact on control
- Generally does not impact performance measures

IMPACT OF 24J

- PV = Issued Amount
- PMT = Monthly Payments
- FV = Final Payment
- N = period (must match PMT)
- I/YR = Interest rate / IRR
- Use the **amort function** to obtain **interest** for the period
x tax rate = tax amount to be added <Shows tax benefit>

IRR METHOD

- CF0 = Issue Amount
- CF1 to CF5 = (payments)
- Compute IRR <CF1 to CF5 = amount of payments>

