

TRADE CREDIT



Made by A.A. Logunov CF3-5

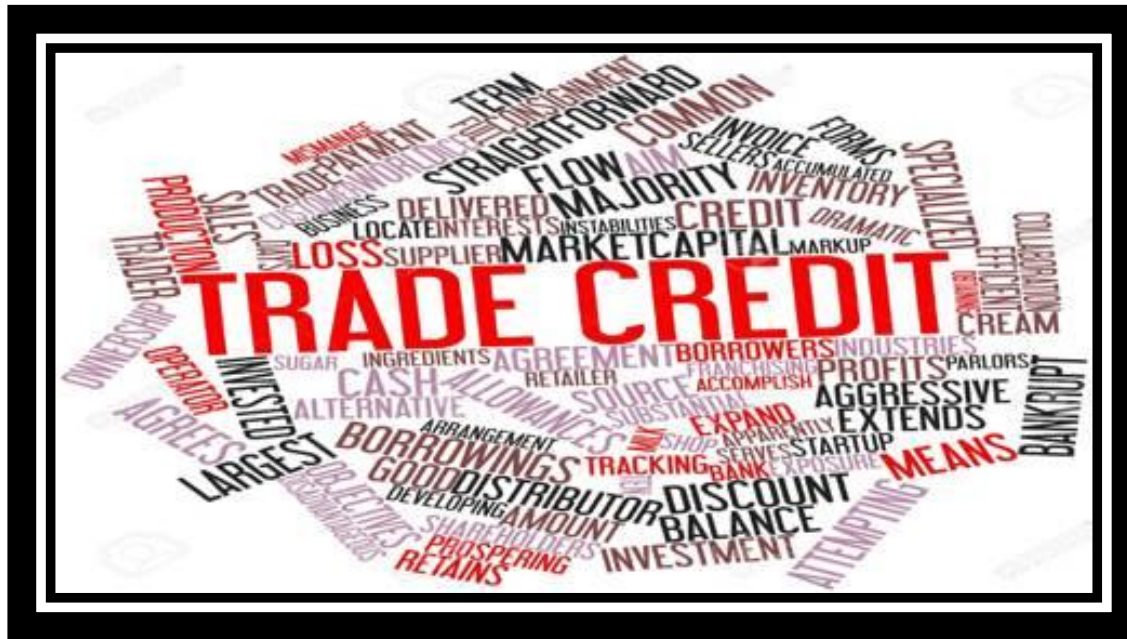
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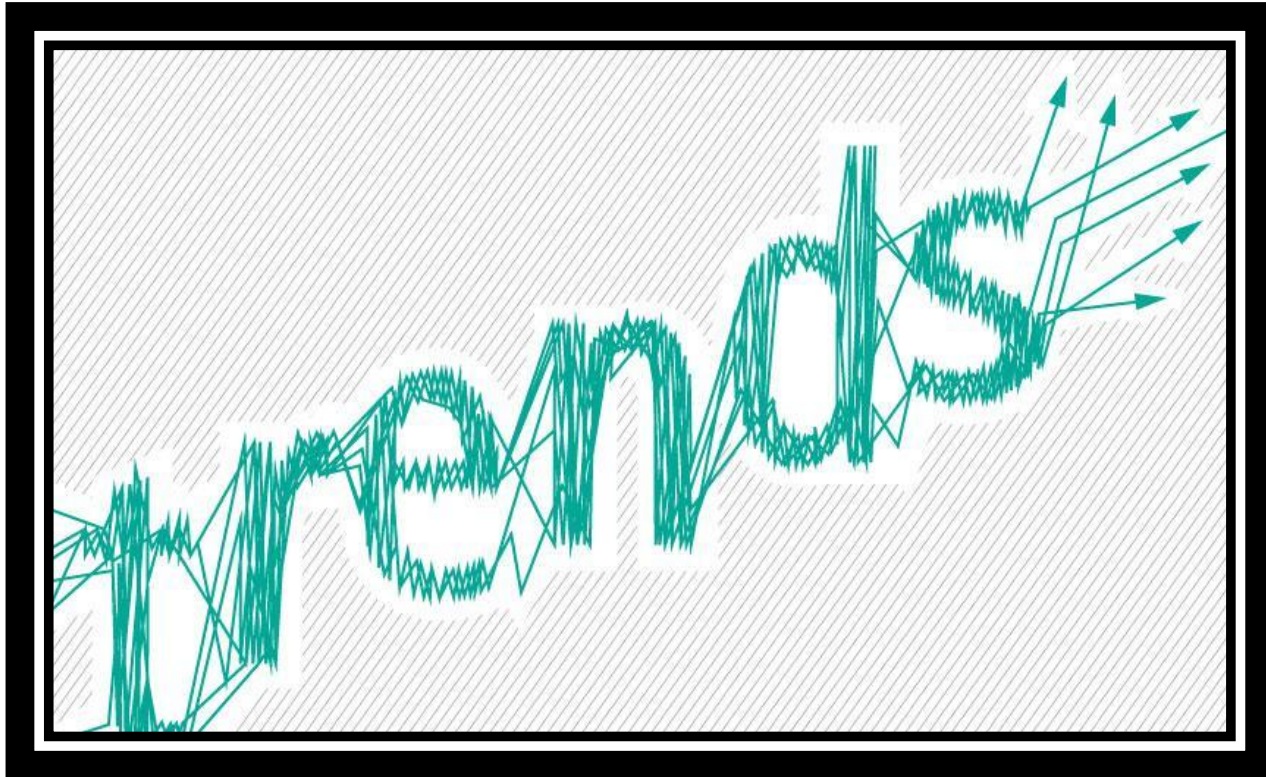


INTRODUCTI ON

A trade credit is an agreement in which a customer can purchase goods on account, paying the supplier at a later date.



Trade credit is most rewarding for businesses that do not have a lot of financing options. After the 2008 financial crisis, traditional financing options for small businesses, such as debt and equity financing, became increasingly limited.



TRADE CREDIT TRENDS



TRADE CREDIT



IN ESSENCE, THE SELLER IS MAKING A SHORT-TERM LOAN TO THE PURCHASER



HOW IT WORKS?



Steve Jobs and Steve
Wozniak

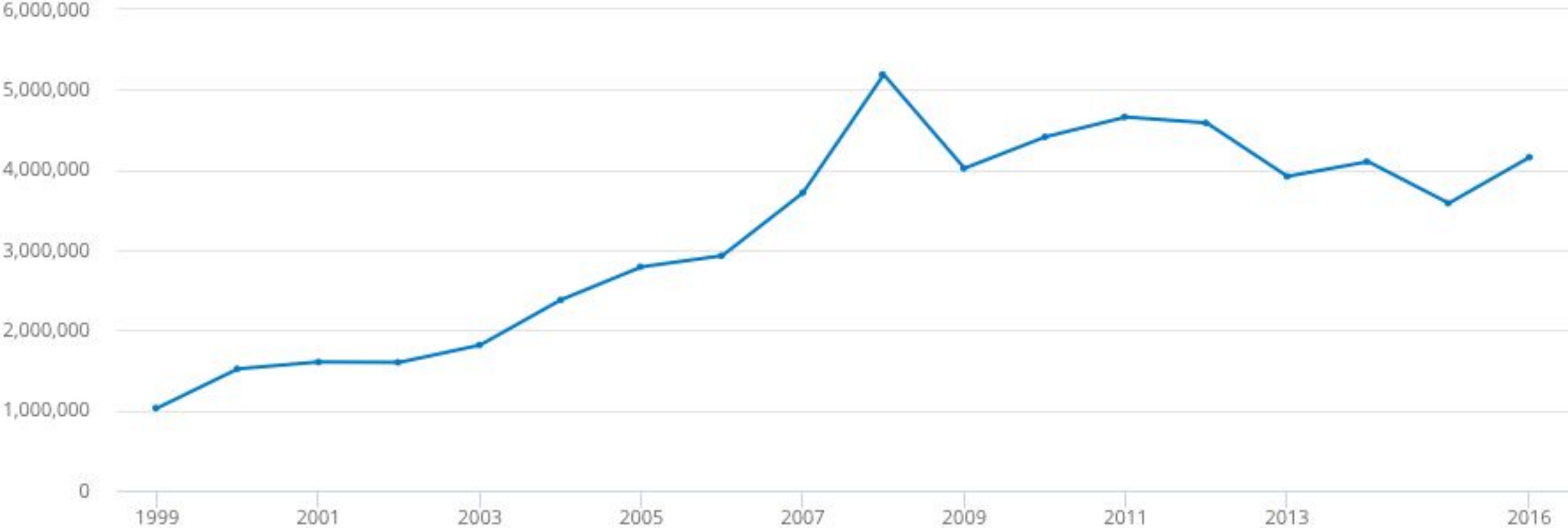


«Byte shop» made an order for 50 computers, for each he paid \$ 500. Jobs immediately agreed, although they did not have enough money, but Jobs found a way out: he received a loan from Cramer Electronics distributor for 30 days.

EXAMPLE



Trade credit in the UK



F8: Other investment: Trade Credit: Total: EU28



Trade credit insurers will generally cover two types of risk:

- **Commercial risk** - the risk that your customers are unable to pay the outstanding invoices because of financial reasons, for example, declared insolvency or protracted default.
- **Political risk** - non-payment as a result of events outside the policyholder or customer's control, for example due to political events (wars, revolutions); disasters, (earthquakes, hurricanes); or economic difficulties, such as a currency shortage so are unable to transfer money owed from one country to another.



TRADE CREDIT INSURANCE



AND DISADVANTAGES

Advantages	Disadvantages
spontaneous finance	higher costs
increased sales	Bad debts



LIST OF SOURCES

- <https://www.investopedia.com/terms/t/trade-credit.asp>
- https://en.wikipedia.org/wiki/Trade_credit
- <https://corporatefinanceinstitute.com/resources/knowledge/other/what-is-trade-credit/>
- <https://www.abi.org.uk/news/industry-data-updates/2013/06/trade-credit-stats/>



Thank you for attention

