

# INVOICE DISCOUNTING

Invoice Discounting is a similar financing method to factoring, of giving a business the cash boost essential for continual trading activities. It is suitable for generally larger & established businesses, as it permits them to keep control of their sales ledger in house, while still benefiting from the finance to increase their working capital.

Invoice Discounting involves an on-going commercial arrangement between the financier and the business. The company / business should sell goods or services on credit terms. The financier would purchase the outstanding invoices payable (on an on-going basis) for an immediate cash advance to the business.

Invoice Discounting sounds awfully similar to factoring; however there are some significant differences. The business itself runs the credit control and sales ledger management functions, collecting the proceeds too. The financier would adjust their sums and sales ledger on a monthly basis. So it is suited to companies with a track record, good systems & greater financial strength.

This allows the business to keep greater control on their client relationships.

## Benefits :

- Between 75 - 90% of the value of invoices, could be released within 24 hours.
- Unlike other forms of finance (i.e. Overdrafts), a factoring facility would automatically grow with the business and its turnover.
- Invoice Discounting is not a loan facility; hence it would not create an entry of debt on the company's balance sheet.
- Gives huge opportunity to negotiate favourable terms from suppliers by paying earlier.
- Provides the businesses the ability to react quickly to market opportunities, whilst keeping debtors under control.

\*\*Invoice Discounting can also be offered on a confidential basis. Here, a trust account will be set up in the name of the business. However, withdrawals would only be allowed by the financier.