Matching Finance to Assets

Accounting & Finance

Where a business gets money, matched to what it needs it for.

Source and appropriate use.

Source	Term	Suits
Overdraft	Short	Working capital swings
Trade credit	Short	Inventory purchase
Invoice finance	Short	Slow-paying customers
Bank loan	Medium	Equipment
Leasing	Medium	Assets used, not owned
Bond issue	Long	Major projects
Equity	Permanent	Growth and risk capital

Funding a long-lived asset with an overdraft is the classic mismatch: the facility can be withdrawn before the asset pays back.