

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. What are the main types of short-term financing used by companies?

 2. How does leasing differ from other financing activities?

 3. Which of the following is not considered to be short-term credit? _____
 - a. line of credit
 - b. promissory note
 - c. mortgage
 - d. commercial paper

 4. A common advantage of equity is _____
 - a. interest payments are tax deductible
 - b. no increased risk of bankruptcy
 - c. a lower required cost of capital by investors
 - d. use of someone else's money

 5. An agreement that allows a company to obtain additional loans, up to a set amount, without a new loan application is called _____?
 - a. line of credit
 - b. commercial paper
 - c. accounts payable
 - d. promissory note

 6. True or False? _____ Commercial paper is usually backed by collateral.

 7. True or False? _____ Leasing is considered to be renting.
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TEAMWORK

Discuss in pairs or small groups and then write your conclusions below.

8. In your team, describe several situations in which an organization might lease an item rather than buy it.