

## Wk 6 Summative Assessment: Capital Structures Financial Plan

### Exam Content

You as the **business manager** need to be able to determine larger sources of funding by creating a financial plan to help reduce duplication of resources, identify requirements and risks, and determine various financing options. Completing this planning is an important step for all businesses to take if they want to succeed. Larger companies may delegate this process to financial managers, financial analysts, or operations managers.

You decide to **create a financial plan** for your company to help **distinguish between sources, requirements, and risks associated with various types of long- and short-term financing capital structure** that your company can potentially use in the future.

### Assessment Deliverable

Draft a 3- to 4-page financial plan for your company. This plan should include sections for a business case and profit-and-loss statements. Include the following items:

- A business case that includes a description, type of business, and sources of funding
  - *Note:* Use your Wk 5 Assessment Prep: Business Case Research assignment and feedback.
- A profit-and-loss statement for a 3-year period
  - Project revenue. State realistic assumptions, such as growth per year, in your projections.
  - Estimate direct costs, including capital, marketing, labor, and supply costs.
- A conclusion that includes an explanation of what working through a financial plan can do for a larger company

Cite references to support your assessment according to APA guidelines.

Submit your assessment.

### Assessment Support

- [Rubric \(https://multimedia.phoenix.edu/cms/202233080\)](https://multimedia.phoenix.edu/cms/202233080) for guidance on deliverable expectations

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### Submission

**Week Five Business Case Research**



University of Phoenix

571/Corporate Finance

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1/22/2024

## **Business Case Research**

A proposal is essential in obtaining the necessary capital for Samsung's ongoing operations, growth plans, and strategic projects. Fundamentally, the main goal in this business case is to provide an outline of the financial requirements that are essential to satisfying the changing demands of our fast-paced technology sector. In this sense, funding is more than just a cash infusion; it is a strategic enabler that offers the resources required to stimulate further expansion and innovation. Seeking finance is essential to setting Samsung up for long-term success. It will enable the company to take advantage of new possibilities, overcome obstacles in the sector, and strengthen its position among competitors. Financing will also play a role in the future financial strategy and will form a foundation for informed decision-making.

In considering funding sources, Samsung must consider a wide range of factors starting with self-funding. Self-funding is straightforward and will allow the company to operate independently without external influence or pressures (Greenlaw et al., 2023). Essentially, it only requires Samsung to use its resources, the drawback of this approach is that it puts a ceiling on the amount of money that can be collected. Borrowing is a funding source that allows for more money to be acquired through outside funding. Items to consider when borrowing as a funding source are interest rates, payback periods, and the effect on credit. While self-funding and borrowing allow Samsung to retain some control, equity, which involves the selling of ownership holdings, involves giving up some control with the upside of a large cash infusion. Similarly, venture capital necessitates giving up some level of autonomy to receive outside knowledge and resources.

With regards to requirements for self-funding, it stresses profitability and a strong internal financial position to provide cash flows. A creditworthy profile is required for borrowing, and

interest rates and payback conditions will impact loan duration and impact. In equity finance, ownership shares, and control are negotiated with an eye on matching investor interests with business goals. Despite the fact venture capital brings in outside experience, it demands a rigorous analysis of the trade-offs between receiving funding and ceding control.

There are risks associated with each source, for instance, self-funding puts pressure on resources, impacting daily operations while borrowing pressures creditworthiness. Dilution of ownership associated with equity investment may affect the dynamics of decision-making. Venture financing raises the possibility of outside interference and necessitates a delicate balancing act between providing funding and preserving operational independence.

With Samsung's emphasis on long-term sustainability and steady growth, a well-rounded strategy including a combination of equity and self-funding is most appropriate. Self-financing offers stability and independence while meeting urgent operational demands; equity brings in outside finance that is essential for large-scale projects. The approach ensures a seamless fusion of internal resources and strategic external assistance, while also being in line with the company's existing financial condition and risk tolerance. It also builds a strong platform for future flexibility and growth.

Both long-term and short-term finance sources have associated expenses of capital. The short-term cost of self-funding is the opportunity cost of using internal resources. Conversely, ownership dilution and prospective dividends are associated with equity, a long-term funding source. For a quantitative measure, the cost of equity financing can be determined using the capital asset pricing model; this is used to estimate the current return on equity based on risk profile and market condition. In this context, the current cost of equity for Samsung is 7.86% (AlphaSpread, 2024).

## References

AlphaSpread. (2024). *Samsung Electronics Co Ltd (OTC: SSNLF)*.

Greenlaw, S. A., Shapiro, D., & Macdonald, D. (2023). *Principles of Economics* 3e