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The bank will acquire the obligation to collect the receivables of B. They do this by buying this bill at a discounted price. That means they pay the company A discount amount on the charge. A difference in the face value of this bill as well as the discount amount that the bank purchased is thought to be the interest that is earned by the bank.

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Bills discounting is a vital service offered by banks to numerous commercial enterprises. This can help them improve the processes for accounts receivable.

The list above is not complete. Banks offer a variety of additional services to commercial customers. Those who provide large portions of the business, may make new products or customize existing ones to satisfy their requirements.

Banks typically combine to offer massive syndicated loans to companies. This is due to the need for the debt of a specific company, for instance, General Electric may be so massive that one bank might not be able to meet them without creating an enormous risk to their books. Therefore, in these situations, the banks must create a syndicate in order to meet the loan obligation.

A bank can have a leading role in coordinating with other banks, and making funds available to the business. Thus, the bank could be referred to as “the “lead financier” and would receive a specific fee that is in addition to the normal interest paid from the loan. Additionally, the company will be able to service this loan i.e. make payment to this bank exclusively. It is the principal arranger that has to devise an arrangement to distribute the monthly payments to other banks equally.

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Brooke Jessica Kaio Explained Leasing:

With the rise of off-balance-sheet financing, a number of businesses have begun using leasing as a finance method. This is due to the fact that it allows control over the asset, without impacting the financial statements of the company. The banks have been very involved in the process of financial leases. Financial leases are executed by businesses to acquire cars, real

estate factories, machinery, or other significant fixed assets. It is important to note that banks typically only provide financial leases and not operating leases that are pure-play.

Foreign Trade Financing:

Brooke Jessica Kaio explains many of the companies that exist nowadays are multinationals. Therefore, their Business interests are spread across boundaries between countries. This is why foreign trade is growing and is now the standard. Foreign trade now has special financing requirements. The banks have been traditionally focused on this kind of financing. Today, too banks offer letters of credit and export financing, as well as bank guarantees, and other services to companies that help their foreign trade operations efficiently.

Bills of Exchange:

Businesses often make use of bills of exchange to fund accounts payables and accounts receivables to fulfill their needs. For example, if company A will pay B later and they make a statement of exchange for that. Company A could then present the bill of exchange to the bank to get the bill reduced.