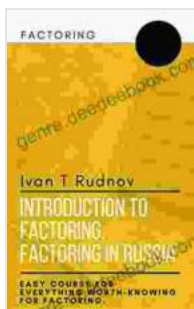


Introduction to Factoring: A Comprehensive Guide to Factoring in Russia

Factoring is a financial service that allows businesses to sell their accounts receivable to a third party known as a factor. The factor advances a percentage of the invoice value to the business, typically between 70% and 90%, and collects payment from the customer when it becomes due.



Introduction to factoring. Factoring in Russia: Easy course for everything worth-knowing for factoring.

by Michael Bremer

★★★★★ 5 out of 5

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Word Wise	: Enabled
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Factoring can provide businesses with a number of benefits, including improved cash flow, reduced risk of bad debt, and access to working capital. It can also be a useful tool for businesses that are experiencing seasonal fluctuations in their sales or that have a large number of customers who pay slowly.

How Does Factoring Work?

The factoring process typically involves the following steps:

1. The business sells its accounts receivable to the factor.
2. The factor advances a percentage of the invoice value to the business.
3. The factor collects payment from the customer when it becomes due.
4. The factor deducts its fees and remits the remaining balance to the business.

The factor's fees are typically based on a percentage of the invoice value, and they vary depending on the factor and the size and creditworthiness of the business.

Benefits of Factoring

Factoring can provide businesses with a number of benefits, including:

- **Improved cash flow:** Factoring can help businesses improve their cash flow by providing them with access to working capital. This can be especially beneficial for businesses that have a large number of customers who pay slowly.
- **Reduced risk of bad debt:** Factoring can help businesses reduce their risk of bad debt by assuming the responsibility for collecting payment from customers. This can be especially beneficial for businesses that have a large number of customers with poor credit.
- **Access to working capital:** Factoring can provide businesses with access to working capital that can be used to fund growth, purchase inventory, or meet other financial obligations.

Risks of Factoring

Factoring is not without its risks. Some of the potential risks include:

- **Cost:** Factoring can be expensive, especially for businesses with a large number of small invoices.
- **Loss of control:** Factoring can result in the loss of control over the collection process. This can be a concern for businesses that have a close relationship with their customers.
- **Negative impact on credit rating:** Factoring can have a negative impact on a business's credit rating. This is because factoring is considered to be a form of borrowing.

Factoring in Russia

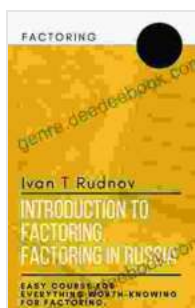
Factoring is a relatively new financial service in Russia. However, it is growing in popularity as businesses become more aware of its benefits. There are a number of factoring companies operating in Russia, both domestic and international.

The legal framework for factoring in Russia is governed by the Civil Code of the Russian Federation. The Civil Code provides a general framework for factoring, but it does not address all of the specific issues that can arise in factoring transactions. As a result, it is important to have a well-drafted factoring agreement that addresses all of the relevant legal issues.

Factoring can be a valuable financial tool for businesses in Russia. However, it is important to be aware of the benefits and risks of factoring before making a decision about whether or not to use this service.

References

- Factoring in Russia
- PricewaterhouseCoopers (PwC) Russia
- Deloitte Russia



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