



## Sources of Finance

A business needs finance to operate. There are many different sources of where finance can come from. Below make a list of all the different sources of finance that you can think of that a business may have?



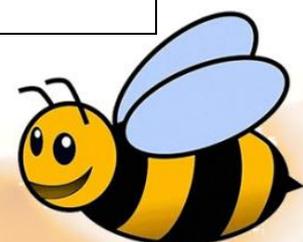
Sources of Finance

Some of the sources of finance that a business will be classed as *internal sources of finance*.

What do you think is meant by the term "*internal source of finance*"?

Some of the sources of finance that a business will be classed as *external sources of finance*.

What do you think is meant by the term "*external source of finance*"?





## Internal or External?

Highlight all of the internal sources of finance **Green** and all the external sources of Finance **Yellow**.

Retained Profit	Owners Capital	Mortgage	Net Current Assets
Loans	Crowd Funding	Sale of Assets	Venture Capitalist
Debt Factoring	Hire Purchase	Leasing	Peer to Peer Lending
Grants	Donations	Trade Credit	

## Short Term / Long Term

The use choice of the source of finance that a business chooses to use could be down to the length of time that it needs the finance for. This is known as **short term** or **long term**.

*For example if Bee wanted to purchase a new building then Bee would most probably go to the bank and ask for a Mortgage. This would be long term as it tends to last more than 5 years.*

*However if Bee could see that the business could have a liquidity problem in the short term from her cash flow forecast, then she may decide to invest some of her own money into the business, just until she gets paid by a large customer. This would be very much short term finance.*

You also need to be able to identify the advantages and drawbacks of using each of the different sources of finance for a business.

You should complete the table below now using your knowledge of sources of finance.





Source	Internal / External	Short Term / Long Term	Advantages of Using This Source	Drawbacks of This Source

