A-LEVEL BUSINESS • EXERCISE SHEET

# 5.2 Sources of finance

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

**KEY WORDS** sources of finance 融资来源 • retained profit 留存利润 • trade credit 商业信用 • share capital 股本 • leasing 租赁

## Objective

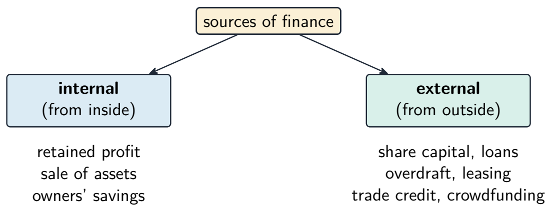
Build the skills to answer exam questions on **sources of finance** 融资来源 — **internal and external** 内部和外部 sources, **short- and long-term** 短期和长期 finance, and how a business chooses the right source.

**You must be able to:**

- classify sources as internal/external and short/long-term
- describe the main sources (retained profit, share capital, loans, overdraft, trade credit, leasing)
- analyse and evaluate the best source for a given need

## 1 Worked examples

### ■ Where finance comes from




*Internal: retained profit, sale of assets. External: shares, loans, overdraft, leasing, trade credit*

- **Internal:** retained profit, sale of assets — no interest, no loss of control, but limited.
- **External:** share capital and loans (long-term), overdraft and trade credit (short-term).
- **Choice depends on:** the **amount**, the **purpose** (match long-term assets to long-term finance), the **cost** (interest), the legal structure (only a company sells shares), and **collateral**.



**Answer shapes:** AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

## 2 Practice

**2.1** Define the term *retained profit*. [2]

**2.2** State two **external** sources of finance. [2]

**2.3** State the difference between a *loan* and an *overdraft*. [2]

## 3 Exam-style questions

**3.1** Explain one benefit to a business of using **retained profit** to finance growth. [3]

**3.2** Analyse two factors a business should consider when choosing a source of finance. [8]

**3.3** A growing private limited company needs $2 million to build a new factory. Evaluate whether it should raise this money by a **bank loan** or by **selling more shares**. [12]