5 Finance for business – Part 1

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English	**Write it 3 times** (English)		
finance			
Start-up capital			
internal sources			
external sources			
bank loan			

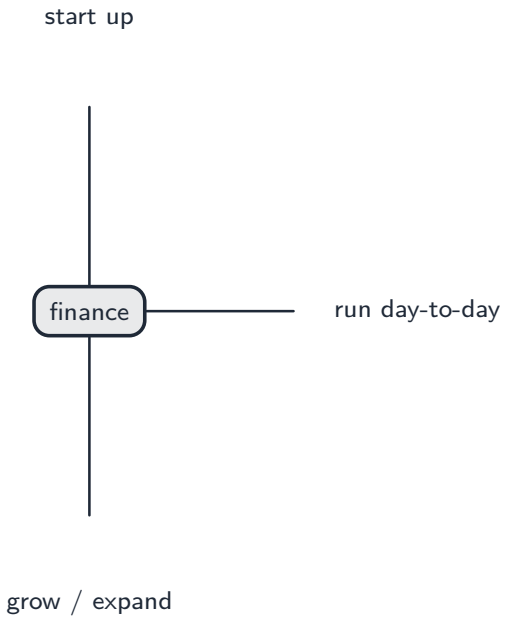
Recall

Businesses need **finance** (money) to start, to run day-to-day and to grow.

New ideas

Read these first, then do the Practice.

1 Why finance is needed



Start-up capital is the money needed to begin a new business.

2 Sources of finance

internal	external
owner's savings	bank loan
retained profit	selling shares
selling assets	overdraft

- **internal sources** come from inside the business;
- **external sources** come from outside (e.g. a **bank loan**).

Watch out: internal finance comes from *inside* the business (owner's savings, retained profit); **external** finance comes from *outside* (a bank loan, selling shares). A bank loan must be repaid *with interest*.

Practice

Try these in order.

5.1 Give two reasons a business needs finance. [2]

5.2 What is *start-up capital*? [1]

5.3 Give one internal source of finance. [1]

5.4 Give one external source of finance. [1]

5.5 Is a bank loan an internal or an external source? [1]

5.6 Challenge. A person wants to start a small shop. Suggest one **internal** and one **external** source of finance they could use, and one drawback of each. [4]