IGCSE BUSINESS STUDIES • EXERCISE SHEET

5.1 Business finance: needs and sources

Name: __________ Class: ________ Date: _________ **Total: 20 marks**

KEY WORDS finance 资金 • external 外部 • loan 贷款 • long-term 长期 • working capital 营运资金

Objective

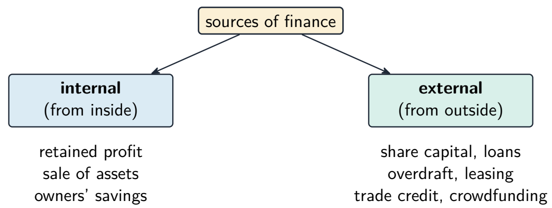
Build the skills to answer exam questions on **business finance: needs and sources** 企业资金：需求与来源 — why businesses need finance, and the **internal and external** 内部与外部, **short- and long-term** 短期与长期 sources.

You must be able to:

- state why a business needs finance (start-up, expansion, working capital)
- classify sources as internal/external and short/long-term
- analyse and recommend a source of finance

1 Worked examples

■ Where finance comes from



The best source depends on the amount, the time, the cost and the risk

- **Needs: start-up capital** 启动资金, **expansion** 扩张, **working capital** 营运资金, surviving a **cash-flow** 现金流 problem.
- **Internal** 内部: **retained profit** 留存利润, sale of **assets** 资产, owners' savings.
- **External** 外部: bank **loan** 贷款, **overdraft** 透支 (short-term), new **shares** 股份 (companies only), **leasing** 租赁, **trade credit** 贸易信贷, grants.

Answer shapes: K + App + An + Ev (a justified judgement, for "do you think" questions).

2 Practice

2.1 State two reasons why a business needs finance. [2]

2.2 Identify two **internal** sources of finance. [2]

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

3 Exam-style questions

3.1 Identify two external sources of finance. [2]

3.2 Explain two factors a business should consider when choosing a source of finance. [6]

3.3 A sole trader needs a large amount of money to buy a new machine. Do you think a bank loan is the best source of finance for this? Justify your answer. [6]

Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 any two of: to start up; to expand/grow; for working capital (day-to-day running); to survive a cash-flow problem (1 + 1).

2.2 any two of: retained profit; sale of assets; owners' savings (1 + 1).

2.3 a loan is a fixed sum borrowed and repaid with interest over time; an overdraft lets the account go below zero for short-term needs (2 for a clear difference; 1 for a partial idea).

3.1 any two of: bank loan; overdraft; new shares; leasing; hire purchase; trade credit; crowdfunding; grants (1 + 1).

3.2 *[6]* For **each** of two factors: K 1 + An up to 2 — e.g. *amount and time*: a large, long-term need → a long-term loan, not a short-term overdraft. *Cost*: a high-interest source raises costs → a cheaper source is better if available. Maximum 3 each.

3.3 *[6]* Both sides + judgement. **For a loan:** it provides a large sum, is repaid over time matching the machine's life, and the owner keeps full control. **Against:** interest must be paid, the loan needs repaying even in a bad year, and a sole trader has unlimited liability. **Judgement (Ev):** a loan suits a large, long-term purchase like a machine, but the owner should check they can afford the repayments — it depends on the firm's expected income; leasing could be an alternative if cash is tight.