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

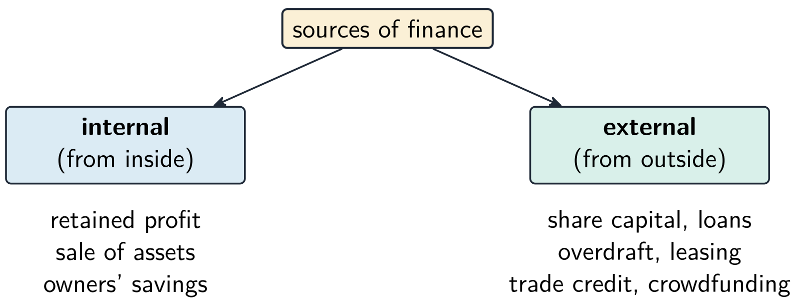
Build the skills to answer exam questions on **business finance: needs and sources 企业资金：需求与来源** — why businesses need finance, and the **internal and external** 内部与外部, **short- and long-term** 短期与长期 sources.

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]