



Financial Resources

- Money is clearly a vital part of setting up a business
- A new business is unlikely to have enough money
- This means that finance must be:
 - Acquired!
 - Managed carefully
 - Using budgets and cash flow forecasts
- Many lenders are reluctant to lend to new businesses because
 - They have no record of success
 - They are usually small
 - They are high risk!





Different Types of Finance

- There are 2 different types of finance:

Types of Finance

Internal

- Money that is obtained from within the business, e.g. last year's profits
- Using this type of finance is cheaper, but means that the money cannot be used for anything else.



External

- Money obtained from outside the business. E.g. a bank loan
- This usually requires interest to be paid on the money obtained



Finance and Time

- The type of finance a business will use often depends upon how long they need the money for:

Short-Term

This refers to finance that is only required for a ***Maximum of 12 Months.***

Medium-Term

This refers to finance that is required for ***more than 1 year, but less than 5 years.***

Long-Term

This refers to finance that is required for ***more than 5 years.***





Sources of Finance

- Before a business can spend money it must obtain it
- Firms have a number of possible sources of finance:

