Unit 3.1 : Sources of finance

Capital Expenditure : Fixed assets (machinery, land, buildings, ecc.)
Revenue Expenditure : Day to day (rent, wages, raw mat., insurance)

INTERNAL :

1) Personal funds : cheap and easy, no interest / risky
2) Retained profit : after taxes + expenses / start-ups don't have any
3) Sale of assets : time consuming / good sof.

EXTERNAL :

1) Share capital : money from sale of shares
2) Loan capital : money from institutions, needs to be paid back
3) Overdrafts : when you spend more money than what you have
4) Trade credit : allows buyer to pay seller in the future (30 - 90 days)
5) Grants : funds given by government / very selective benefit society
6) Subsidies : financial assistence by gov or non gov. (NGO) support busin
7) Debt factoring : collecting the debt owed to the business
8) Leasing : allows to use assets without purchasing (machinery, equipment)
9) Venture capital : financial capital given by investors to high risk - potential
10) Business angels : individuals who give cash to small-start ups in return leadership

SHORT	MEDIUM	LONG
• Day-to day running • Overdrafts, trade credit, debt factoring • 1 year or less	• Purchase equipment/vehicles • Leasing, med. loans, grants • 1 to 5 years	• Long term fixed assets • Long t. loans, share cap. • 5 to 30 years

Factors influencing choice of S.O.F :

1) Purpose of funds
2) Cost
3) Status and size
4) Amount required
5) Flexibility
6) State of external env.
7) Gearing (high = risky
low = safe)