Pearson Edexcel

GCSE (9-1)

Theme 1.3.4 Retrieval Resource

Sources of business finance

Retrieval Quiz - 1.3.4: Sources of business finance

Questions:

1. Define the term **venture capital**.

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2. Which **two** of the following are short-term sources of finance?

   A. Crowd funding
   B. Loans
   C. Overdraft
   D. Retained profit
   E. Trade credit

3. Give **one** benefit to a business of using retained profit as a source of finance.

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4. Give **two** impacts on a business of using loans as a main source of finance.

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5. Give **one** drawback to a business of using crowd funding as a source of finance.

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Answers:

1. Define the term **venture capital**.

   Money to invest in a business that is sourced from individuals or groups who wish to invest their own money into new businesses.

2. Which **two** of the following are short-term sources of finance?

   A. Crowd funding
   B. Loans
   C. Overdraft
   D. Retained profit
   E. Trade credit

3. Give **one** benefit to a business of using retained profit as a source of finance.

   No repayments required

   No interest needs to be paid

   Easy/quick to arrange

4. Give **two** impacts on a business of using loans as a main source of finance.

   Funds available to invest in the business

   Higher fixed costs due to loan repayments

   Increased cash outflows – worse net cash flow

5. Give **one** drawback to a business of using crowd funding as a source of finance.

   Not reliable – may not raise as much capital as required.

   Time – may take longer than expected to raise funds

   Higher costs - investors often receive some incentive/products as a gesture.