***STARTER ACTIVITY :***

***Make a mindmap on the different factors that are responsible for the suitability of different sources of help and support for Enterprises .***

**DEVELOPMENT ACTIVITY : ( 20 minutes)**

**Read the article below and complete the mindmap above .**

# Suitability of the different sources of finance

Different sources of finance are suited to different business contexts, for example, start-up businesses, businesses experiencing cash flow issues, and expanding businesses.

## Start-up business

**Start-up businesses** are most suited to the following types of finance:

* **owner’s capital** – owners are likely to use their own money to start the business
* **family and friends** – often provide new business owners with finances
* **a bank loan** – could be difficult to get, but is possible with a detailed business plan
* **venture capital and business angels** – may be willing to take the risk on a new business
* **trade credit** – can be used to help a start-up business spread its costs
* **leasing and hire purchase** – are both used by new businesses to spread costs on equipment it otherwise may not be able to afford
* **government grants** – may be used if a business fits the criteria

## Cash flow issues

Businesses with **cash flow issues** are most suited to the following types of finance:

* **owner’s capital** – owners are likely to use their own money to cover some of the debts
* **family and friends** – may help out in difficult financial times
* **bank loan** – could be difficult to get, but is possible with a detailed business plan
* **overdraft** – this will allow the business to gain some temporary finances
* **share issue** – this could be used to sell off part of the business to raise finance
* **trade credit** – can be used to help delay some business costs
* **selling assets** – may be used as a last resort to gain money

## Expansion

A growing business is most suited to the following types of finance:

* **retained profit** – an expanding business will likely have some spare profit they can use to invest
* **bank loan** – could be used to provide money to grow the business
* **venture capitalists and business angels** – they will look for opportunities to invest in growing businesses to help maximise their financial returns
* **share issue** – this could be used to sell off part of the business to raise finance
* **new partners** – a business may invite new partners to invest and help them grow the business

