Sources of finance

}There are many sources of finance. Finance can be used to: buy stock/products, advertising, create websites, taxes, wages, rent, buy machinery	**New share issue** -shares represent ownership of a company	**Bank Loan** - a set amount of money borrowed from the bank, normally for a specific purpose to be paid back over a period of time	**Hire purchase** - spreading the cost of an asset over a period of time
Examples of internal sources of finance: family & friends, retained profits, sales of assets	-shareholders will receive a dividend (a share of the profits) and be given a voting right (one voter per share)	-interest has to be paid on the amount borrowed eg. 5years with a fixed interest rate 6% of the initial sum yearly	-the asset is received by the business immediately but paid for in regular instalments
Examples of external sources of finance: new shares, bank loans, mortgages, overdraft, hire purchase government grants or trade credits	-the amount of dividend payable will vary year on year and depends on: profit levels and company objectives	-banks may require security on the loan, known as collateral. This can be an asset of the business owner or the company e.g. house, factory	- after all payments have been made the asset belongs to the business
Trade credit - when a customer is allowed to purchase goods or services and pay the supplier at a later scheduled date		**Mortgage** - a type of long term loan secured against an asset, normally a building	

Cash Flow

If cash outflow is higher than cash inflow over a period time then cash in hand will decrease. At some point it may run out.	**Cash Flow Statements**- a record of all the cash flowing into and out of the business. It is normally produced monthly but can be any time frame e.g. weekly	**Cash flow forecast** - the process of predicting future cash inflows and outflows. This allows a business to identify any potential negative closing balances in advance and therefore take action: speed-up or increase cash inflows, slow down or reduce cash outflows, arrange an overdraft	**Cash Flow problems** - when a business is spending more money than one is currently earning; not having money.
net cash flow - the difference between total cash in and cash out	**Opening balance** - cash available at the start of the month	-can monitor actual cash flow against predicted	-if a business does have a cash flow problem this can be serious and they may need to take corrective action

Cash Flow (cont)		
Closing balance - cash available at the end of the month	-can help set targets for future years	-businesses do fail as a result of cash flow problems so it is important to find a solution
	-allows a business to identify positive closing balances: if too high can be seen as being too careful	- a solution to improve cash flow is to strategically sell products