Subject Content	What students need to learn?
1.3.4 Sources of business finance	Sources of finance for a start-up or established small business: ● short-term sources: overdraft and trade credit ● long-term sources: personal savings, venture capital, share capital, loans, retained profit and crowd funding.

Short term finance:

This is money the business borrows and pays back within **one** year.

Long term finance:

This is money the business borrows and pays back over a long period of time, **over one year.**

Short Term Finance

Overdraft: This allows a business to spend more money than it has in its account. The bank and business will agree on a limit and interest is charged when the account goes overdrawn.

Trade Credit: This is when businesses buy raw materials and components and pay for then at a later date, usually within 30-90 days.

Long Term Finance

Personal savings: Owners may be planning to set up their own business for a number of years. This will involve regular saving in order to have enough capital to set up the business/keep it running.

Venture Capital: These are industry experts who invest in small and medium sized businesses in return for a stake in the company.

Share capital: This is money raised through the selling of shares in the business. There are two main types – ordinary shares and preference shares.

Bank loans: This is an arrangement where the amount borrowed must be repaid over a clearly stated period of time, in regular instalments. The amount is paid back with interest.

Retained Profit: Profit kept within the business that is not paid out in dividends to the shareholders. This source of finance is the best if the business wants to expand.

Crowd funding: Raising capital online from many small investors to fund a project. (This does not involve the stock market)