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| **Method of Finance** | **Definition** | **Advantage of Use** | **Disadvantage of Use** |
| Owners money | Internal - This is the most common form of financing a private company, by using the funds available in a bank account of the owner to finance expansion. This personal money is limited of course to the wealth of the owner. | Financially Limited Readily available Confidence in the company if the owner invests Shareholders would agree | Restricted One time offer often Company esteem. |
| Bank Business Loan | Internal Bank - Even established business people can find themselves in this position, if they do not own enough tangible assets, such as houses or other property. Loans are provided at a higher interest rate than a personal loan with a small degree of influence and investment from the Bank to protect their return. You will also find that many lenders just don't provide seed money. While they're perfectly willing to give a small business loan to help a business grow, they don't want to take the risk of lending to a start up. | Instant cash Money may not necessarily be restricted to amount Can be negotiated and extended with agreement. Short term boost to the company. | Interest rated can accrue. When banks decide they can ask for it back Comes with terms and conditions Debt with the bank looks back to creditors and shareholders. |
| Business Mortgage | Internal Bank - A larger agreed amount than a bank loan, specifically for larger businesses. When you take out a business mortgage you are effectively taking out a special type of commercial loan, whereby the lender will gain legal rights over the property in question until you are able to fully repay the loan. For this reason companies need to carefully consider the effects taking out a small business mortgage will have on the finances of their company. Small business mortgages usually last a maximum of 20 years. In order to make a successful application companies need to be able to demonstrate sufficient probability of repayment. Any business and financial plans will help and be prepared for an inspection of the property in order to ascertain market value. In order to make a down payment for a small business mortgage you will generally be asked to provide 20-30 per cent of the purchase price. However some small businesses may only be required to provide much less (although interest rates will reflect this). | Depending on the business can be a large sum of money Takes less than two weeks to prepare with the right solicitors and bank Bank will give mortgage advice and business help to maintain contact with company on repayment plans. |  |
| Venture Capital | Internal - |  |  |
| Retained Profit | Internal - This is using the money stored in the bank from previous profits, the kitty fund. |  |  |
| Debentures | External beyond - |  |  |
| Grants | External beyond - |  |  |
| Overdraft | Internal Bank - |  |  |
| Trade Credit | Internal - |  |  |
| Leasing | External Bank - |  |  |
| Share Issue | Internal - |  |  |
| Hire Purchase | External Bank - |  |  |
| Asset sale | Internal Beyond - |  |  |
| Factoring | External Bank - |  |  |