1. Mohanned lost his job with the sugar factory closed. He wanted to start his own business making and repairing clothes. All the main banks refused Mohanned’s request for a $100 loan even though he had a business plan. Finally, a development bank specializing in micro-finance agreed to lend him the capital he needed. That was 3 years ago – he now employs 3 other people and is planning further expansion of his business.
2. What is meant by ‘micro-finance’?

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1. Identify **two** reasons why Mohanned needed $100 to start his business.

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1. Identify and explain **two** likely reasons why the high street banks turned down Mohanned’s request for a loan.

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1. Mohanned now wants to expand his business further. Identify and explain **two** benefits of using internal sources of finance to pay for this.

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1. 10 year after setting up his business, Mohanned converted it into a public limited company to raise finance for business expansion. Do you think he was right to do this? Justify your answer.

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1. Afanan owns a small farm. The income of the business varies greatly during the year. The arm makes a small profit but Afanan is ambitious. He wants to take over a neighbor’s farm and increase the range of crops he sells. He thinks that he needs long-term finance and plans to take out a bank loan to pay for the takeover. He has already borrowed money to buy a new tractor. A friend has advised him to form a company and sell shares.
2. What is meant by long-term finance?

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1. Identify **two** types of short-term finance Afanan could use when farm income is low.

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1. Identify and explain **two** forms of internal finance Afanan could have used to buy the tractor.

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1. Identify and explain **two** pieces of information a bank would look at before granting a loan to Afanan.

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1. Do you think Afanan should raise finance for the takeover by forming a company and selling shares? Justify your answer.

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