* A Sole trader could take on a partner to bring in extra capital – but could that partner start to take important decisions without the original owner’s position?
* The directors of a private limited company could decide to ‘go public’ and sell shares to the public. This could raise very large sums of money for the business but would the new shareholders own a controlling interest in the business?
* An existing PLC could arrange a new issue of shares, but could these be bought by just one of two other companies who may put in a takeover bid?
* These problems could all be overcome by using loan finance.

**Activity 21.8 -** Read the case study above.

1. Would you advise each of these three businesses to use loan capital instead of using the sources of finance outlines above? Explain your answer.
2. Consider all of these following for a private limited company needing finance. Using the table below and, for each type of need, fill in the gaps with:
   1. What you consider could be the most suitable source of finance.
   2. The reason for your choice.

|  |  |  |
| --- | --- | --- |
| **Need for Finance** | **Most suitable Source** | **Reason for Choice** |
| Planned takeover of another business |  |  |
| Temporary increase in inventories over the summer |  |  |
| Purchase of a new car for the Chief Executive |  |  |
| Research and Development of new product – to come on the market in 4 years’ time. |  |  |
| Cost of building modern factory requiring much less than the present one. |  |  |