

# GCSE Business Studies

## Topic 6 – Business Finance and Control



Name:

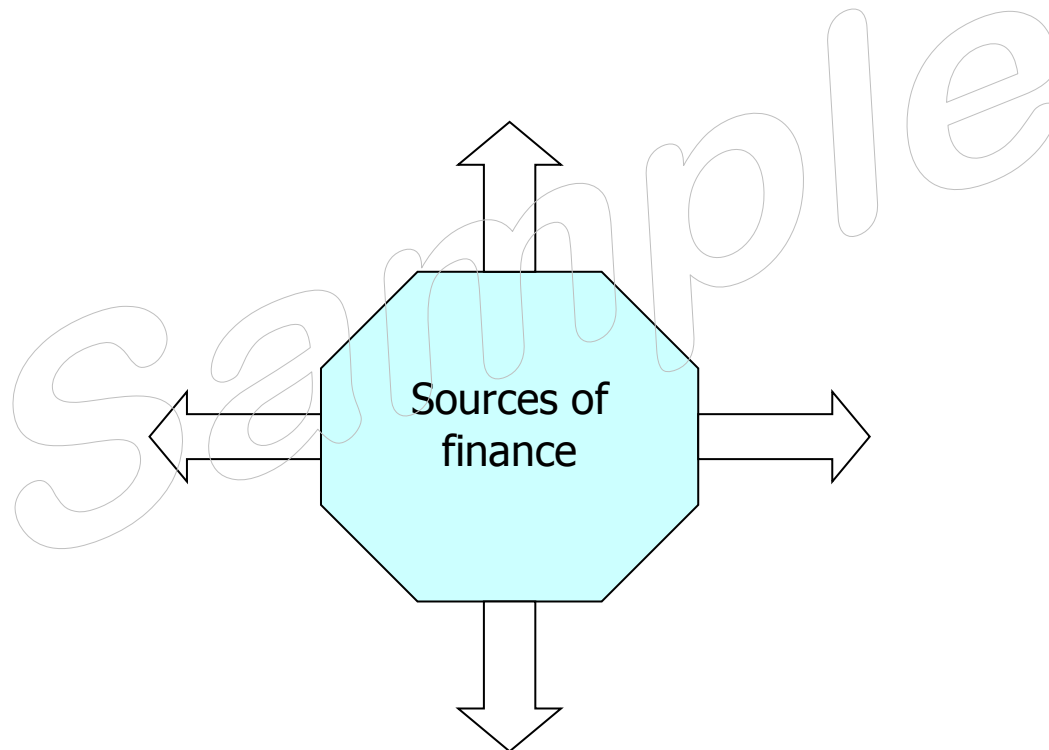
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Sample

## Section A – Internal and external sources of finance

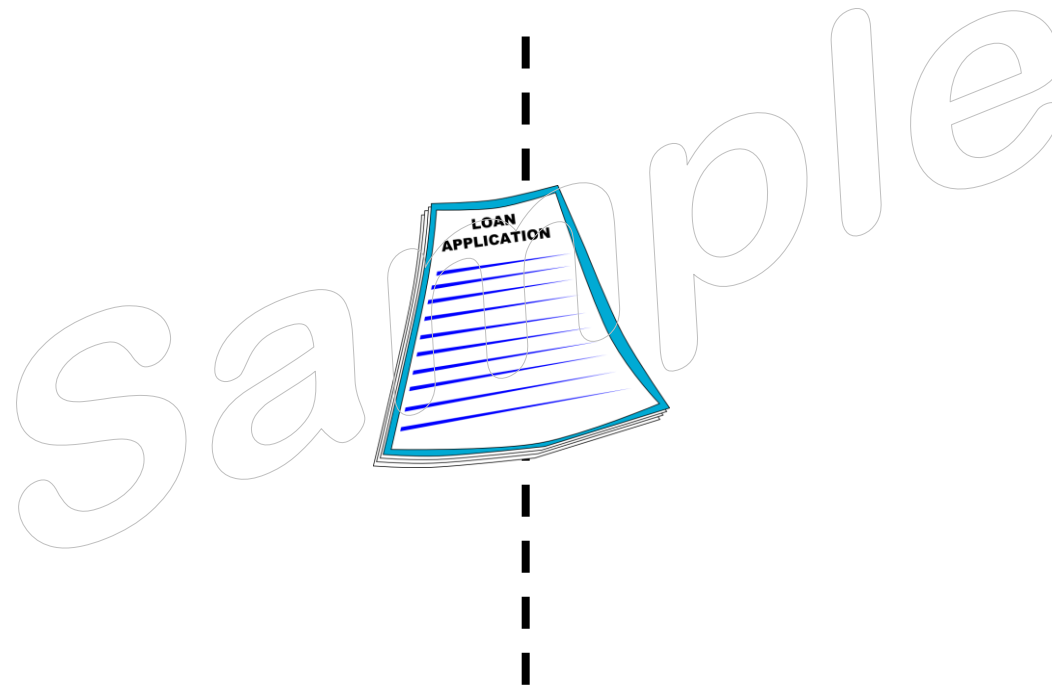
All businesses will require finance at some point. This could be from an internal source (inside the business) or an external source (outside the business). The finance may be needed for a number of reasons such as helping the business through a tough time such as the recession or helping it to expand. List as many ways a business could access additional sources of finance below:



## Section A – Internal and external sources of finance

Bank loans can be used by businesses for a range of reasons, which may include to help with the purchase of equipment, vehicles or to fund further expansion. Banks will normally want some assurances the loan will be paid back before lending and will charge interest on the repayments.

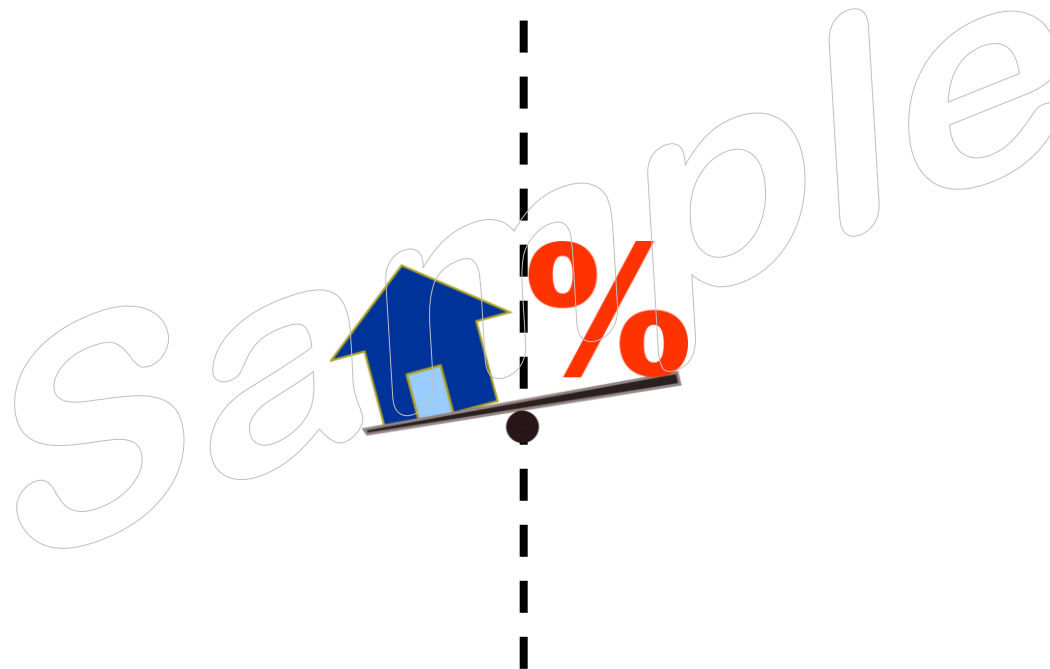
What are the benefits and drawbacks of using this source of finance?



## Section A – Internal and external sources of finance

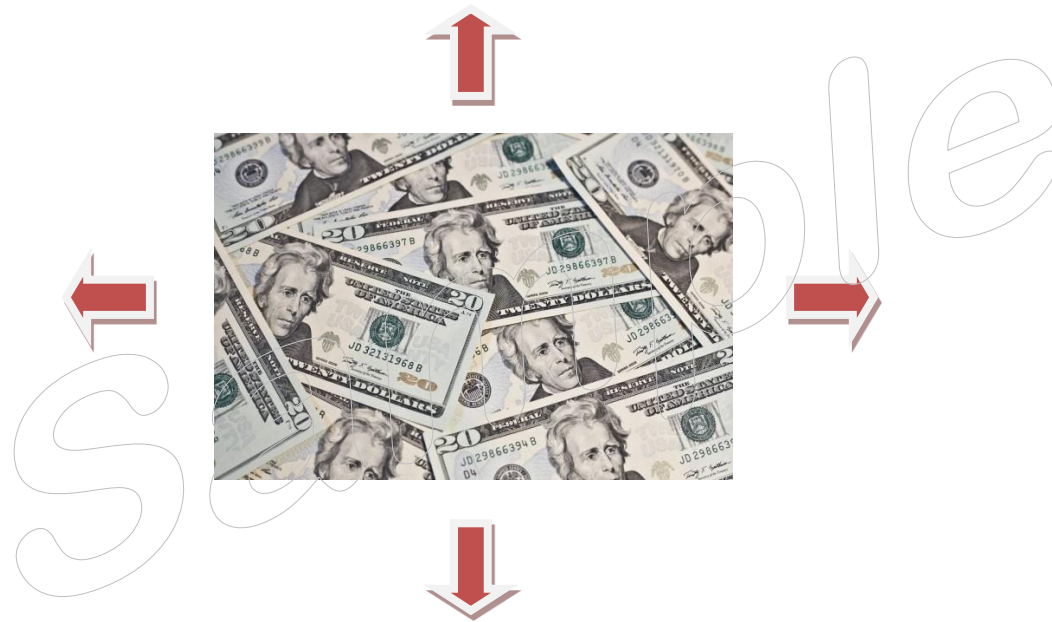
Businesses may obtain a mortgage in order to purchase a property. This will be assessed in a similar way to a loan from a bank, although it is usually taken out over a longer period of time e.g. 20 years.

What are the benefits and drawbacks of using this source of finance?



## Section A – Internal and external sources of finance

Large businesses may use banks to obtain loans or mortgages to help them fund their expansion plans. These can sometimes be multi-million pound deals. What information would the banks want to know before agreeing to lend the money?



**Extension:** Describe why less banks are willing to lend large amounts of money to businesses at the moment.

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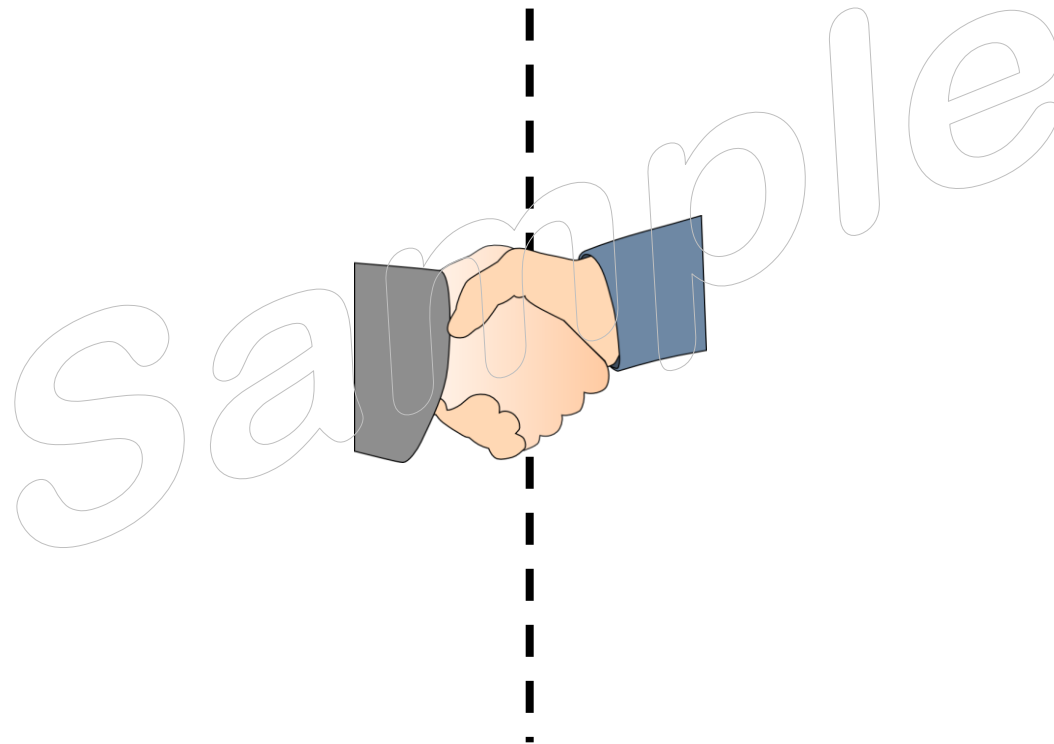
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## Section A – Internal and external sources of finance

Some small business owners may ask their friends or family to loan them money rather going to a bank. It would be up to the two parties to discuss how and when they money would be paid back.

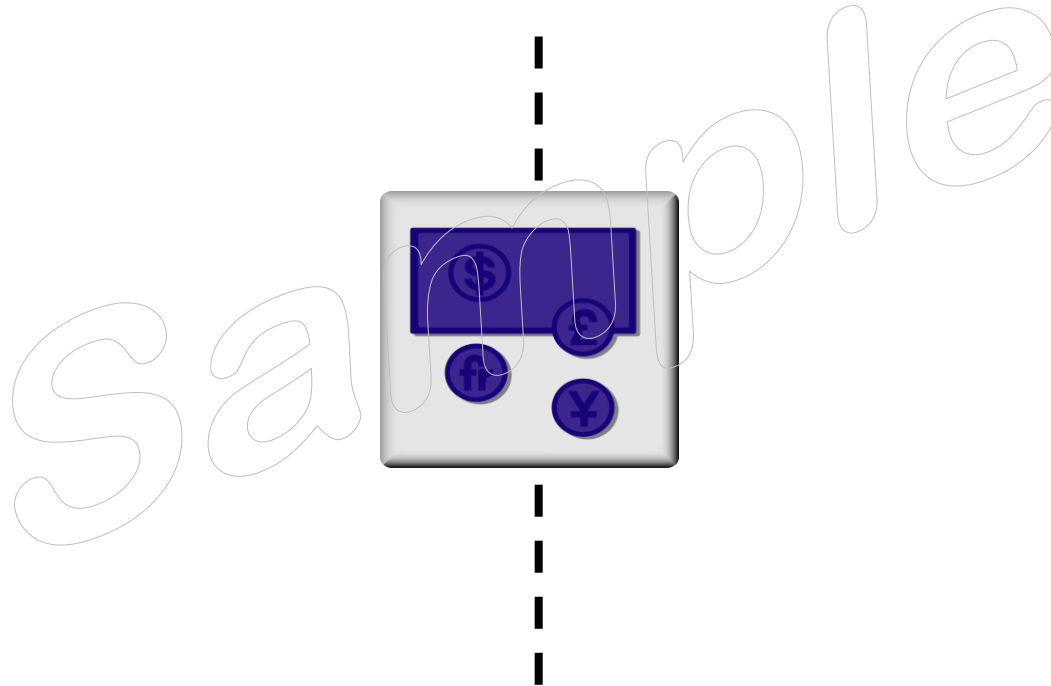
What are the benefits and drawbacks of using this source of finance?



## Section A – Internal and external sources of finance

An overdraft is a very useful source of finance for a lot of businesses. Rather than take a loan out, they can access additional funding from their own business accounts i.e. when the business has no money in their account, they can still continue to take money out. They will have to agree on an overdraft limit with the bank.

What are the benefits and drawbacks of using this source of finance?

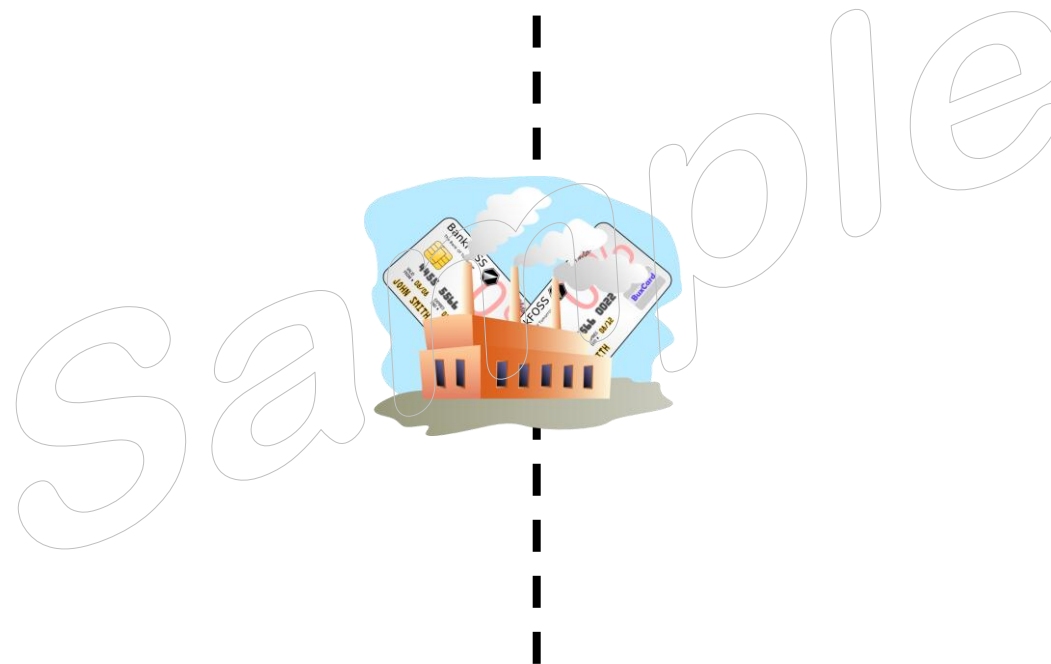




## Section A – Internal and external sources of finance

Trade credit is an agreement between a business and their suppliers whereby they can pay them at a later date after receiving their stock. Depending on the agreement in place, the business may get between 30 – 90 days to settle their account.

What are the benefits and drawbacks of using this source of finance?



## Section A – Internal and external sources of finance

Businesses can sometimes apply to the local or national government in order to receive a grant to help them set up or run their business. There is likely to be specific criteria the business needs to meet in order to receive one e.g. boost local employment.

What are the benefits and drawbacks of using this source of finance?

