

Sources of Finance for a Startup

Questions

1. Which of these is a short-term source of finance?

- Bank overdraft
- Share capital
- Bank loan
- Mortgage

2. Which of the following is an internal source of finance?

- Trade credit
- Bank overdraft
- Leasing
- Profit

3. What is the correct term for the assets needed as security on a bank loan?

- Security indemnity
- Collateral
- Debenture
- Asset finance

4. A startup needs finance to buy fixed assets such as computers. What is this known as?

- Capital expenditure
- Working capital
- Revenue expenditure
- Startup losses

5. A startup will need to finance...

- Cash sales from the first customers
- Interest received on cash at the bank
- Dividends paid to the bank
- Costs incurred before trading

Answers

- 1 Bank overdraft
- 2 Profit
- 3 Collateral
- 4 Capital expenditure
- 5 Costs incurred before trading
- 6 Redundancy payment invested in the business
- 7 Payment of dividends out of retained profits
- 8 £10k to £750k
- 9 No opportunity cost involved
- 10 The finance a business needs for its day-to-day activities