U4.06 - Print & Cut Flashcards

Cut along the card edges. Each card shows the key term on top and the answer underneath.

CARD 1

External funding

Finance obtained from outside the business, such as from investors, suppliers, lenders, financial institutions or government.

CARD 2

Debentures

Long-term debt finance where a company borrows money from investors and agrees to repay the amount with interest.

CARD 3

Debentures - benefit

Can raise long-term finance without giving up ownership or voting control.

CARD 4

Debentures - limitation

The business must pay interest and repay the amount borrowed, which can place pressure on cash flow.

CARD 5

Share capital

Money raised by selling shares in a company to investors in exchange for part ownership.

CARD 6

Share capital - benefit

Can raise significant finance without compulsory interest repayments.

CARD 7

Share capital - limitation

Existing owners may lose some control and may need to share profits with new shareholders.

CARD 8

Trade credit

A supplier allows the business to buy goods, materials or inventory now and pay later.

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CARD 9

Trade credit - benefit

Improves short-term cash flow because the business can receive stock or materials before paying suppliers.

CARD 10

Trade credit - limitation

Late payment can damage supplier relationships and reduce future access to credit.

CARD 11

Venture capital

Finance provided by specialist investors to high-growth businesses, usually in exchange for part ownership.

CARD 12

Venture capital - benefit

Can provide money, advice, networks and mentoring for fast global growth.

CARD 13

Venture capital - limitation

The original owners usually give up part ownership and may face pressure from investors.

CARD 14

Secured loans

Loans backed by an asset used as security or collateral.

CARD 15

Secured loans - benefit

May allow the business to borrow larger amounts or access lower interest rates because the lender has security.

CARD 16

Secured loans - limitation

The business risks losing the secured asset if it cannot repay the loan.

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CARD 17

Financial institutions

Organisations such as banks and finance companies that provide loans, overdrafts, asset finance, trade finance and working capital.

CARD 18

Financial institutions - benefit

Can provide large and structured finance, plus specialist support such as trade finance and foreign exchange.

CARD 19

Financial institutions - limitation

Borrowing creates interest costs, repayment obligations and may require security or strong financial records.

CARD 20

Government funding

External support from government bodies, such as grants, loans, guarantees, subsidies, tax incentives or export assistance.

CARD 21

Government funding - benefit

Can reduce the cost and risk of entering overseas markets without requiring ownership to be given up.

CARD 22

Government funding - limitation

Eligibility rules, applications and reporting requirements can make access difficult, and funding may not cover all costs.