



Source Of Finance

**Business Organisation
B.Com., Part.- I**

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Learning objectives

- Identify at least three reasons why a business may need finance.
- Understand the advantages and disadvantages of at least 4 sources of finance.
- Explain which sources of finance you would use for your business

When does a business need finance?

What is finance?

Money used to purchase things the business needs or want.

What is a source of finance?

It is a method of getting hold of the money you need. Most of the time you have to pay it back and it can be expensive.

When might a business need finance?

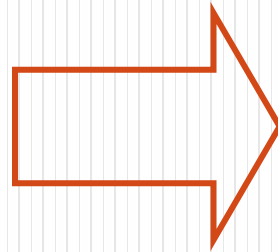
1. When it is starting – up.

2. When it needs to buy equipment or premises.

3. When it wants to expand the business.

How many source of finance do you know?

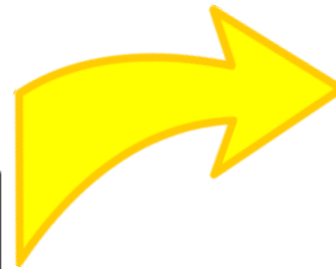
Source of
finance



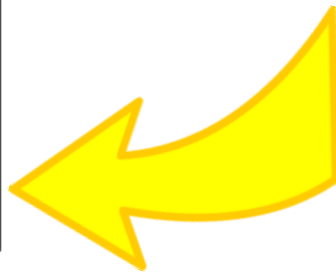
Definition

Sources of finance

Sources of finance are classed as being either internal or external.



Internal sources:
finance from within the business.



External sources:
finance from outside the business.

Internal Sources of Finance

Internal finance saves a business from borrowing from a lender and having to pay back interest.



1. Owners Funds/Capital

The owner of the business uses their own personal savings and invests in the business

Easy to access, no money to pay back, no interest to pay

The person may lose all their savings if the business fails.

Could you use this source of finance to start your business?

Thank You