**Sources of Finance Key Terms**

**Key Term: LONG-TERM FINANCE - Sources of money for businesses that are borrowed or invested typically for more than a year.**

**Key Term: SHARE CAPITAL - The monetary value of a company which belongs to its shareholders.**

**Key Term: SHARE - a part ownership in a business; for example a shareholder owning 25% of the shares of a business owns a quarter of the business.**

**Key Term: SHAREHOLDERS - the owners of a company.**

**Key Term: PERSONAL SAVINGS - money that has been set aside and not spent by individuals and households**

**Key Term: VENTURE CAPITALIST - an individual or company which buys shares in what they hope will be a fast growing company with a long-term view of selling the shares at a profit.**

**Key Term: LOAN - borrowing a sum of money which has to be repaid with interest over a period of time, such as 1-5 years.**

**Key Term: SECURITY (OR COLLATERAL) - assets owned by a business which are used to guarantee repayments of a loan; if the business fails to pay off the loan, the lender can sell what has been offered as security.**

**Key Term: MORTGAGE - a loan where property is used as security.**

**Key Term: RETAINED PROFIT - profit which is kept back in the business and used to pay for investment in the business.**

**Key Term: DIVIDEND - a share of the profits of a company received by shareholders who own shares.**

**Key Term: LEASING - renting equipment or premises.**

**Key Term: GRANT - some start-up businesses are eligible for grants from the government or European Union, or from charities like the Prince's Trust. They do not have to be paid back, but have a lot of conditions attached to them.**

**Key Term: SHORT-TERM FINANCE - Sources of money for businesses that may have to be repaid either immediately or fairly quickly, such as an overdraft, usually within a year.**

**Key Term: OVERDRAFT FACILITY - borrowing money from a bank by drawing more money than is actually in your account. Interest is charged on the amount overdrawn.**

**Key Term: TRADE CREDIT - negotiating with suppliers a period of time before goods and services that have been purchased have to be paid for. This is usually 30 days credit.**

**Key Term: FACTORING - a factor (financial company) buys a debt from a business and pays the business typically 90% of the value of this debt. Therefore the business gets paid immediately. The factor charges a fee for this.**