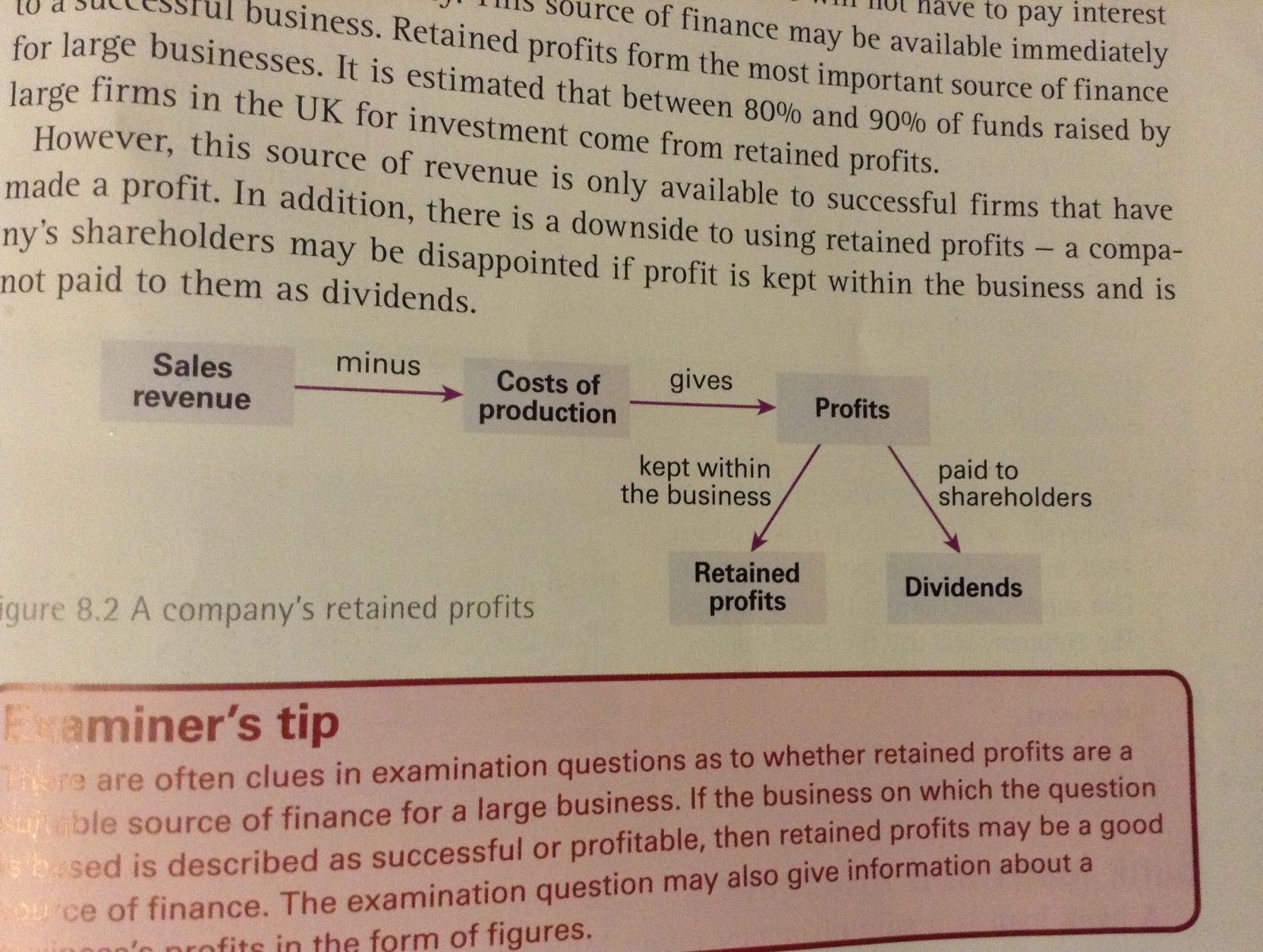
**Sources of Finance**



**Which of the following two businesses has the largest amount of retained profit;** A or B?

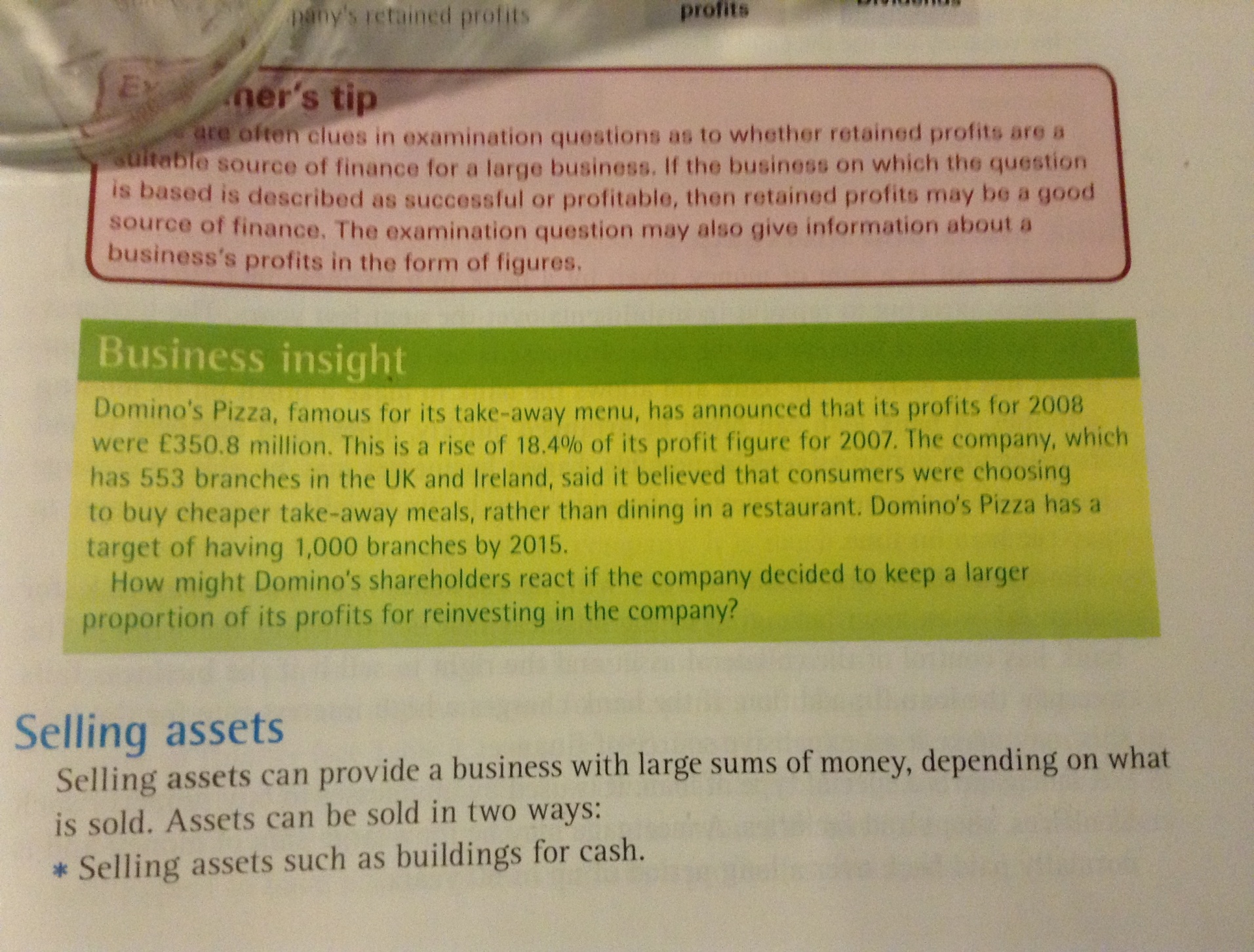
Company a) Sales revenue of £3m, costs of production of £1.5m. Dividends of £750,000 paid to shareholders.

Company b) Sales revenue of £900,000, costs of production of £125,000. Dividends of £10,000 paid.

**Which one do you think will be more likely to secure a bank loan and why?**

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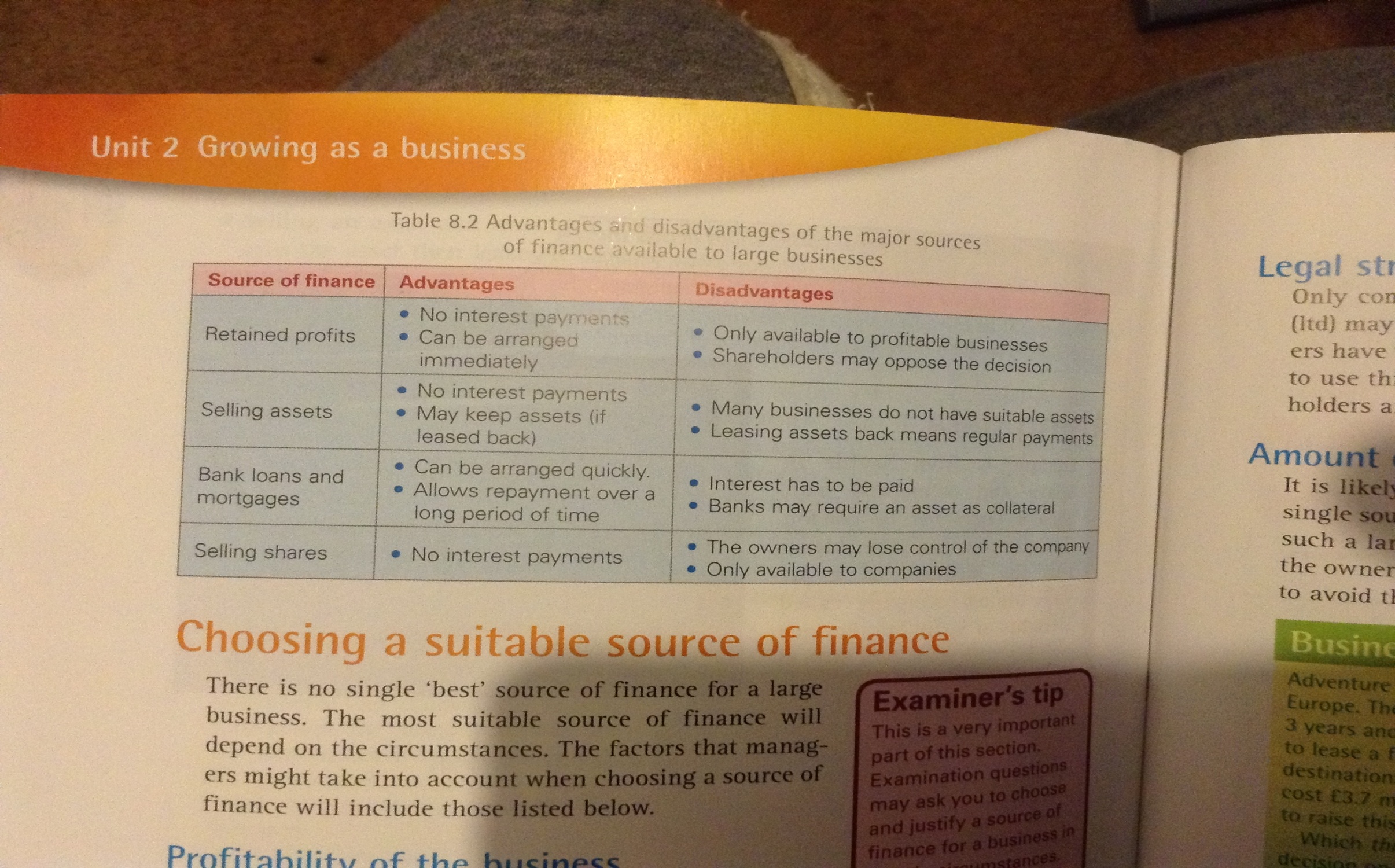
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Why is interest a drawback for businesses? (5 marks)

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When can interest be a good thing? (However, think about the negatives associated with your answer) (3 marks)

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What types of assets could businesses sell? (3 marks)

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The points below will help you justify your answers in evaluation questions on this topic.

**How do the factors below help you choose the relevant sources of finance? Give examples of businesses that could use them.**

* **Profitability of the business**
* **Assets owned by the business**
* **Past history and future prospects**
* **Legal structure of the business**
* **Amount of finance that needs to be raised**

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