

## BUSINESS A LEVEL SUMMER TASK

### Topic – Internal Finance

**The need for finance** - Firms need money to get started. They might need to buy equipment, raw materials and obtain premises. Once this initial expenditure has been met, the business can get under way. If successful, it will earn money from sales. However, business is a continuous activity and money flowing in may be used to buy more raw materials and settle other trading debts. If the owner wants to expand, extra money may be needed over and above that from sales – a business will need to find a way of raising this finance.

### Key Terms

Capital – the money provided by the owner in a business

Internal Finance – money generated by the business or its current owners.

### Case Study

Ahana Chaudhary started her own business after she was made redundant from her local hospital. She used her £6,000 redundancy money and a further £4,000 from her savings to start a business, providing a home care service for the elderly in Brighton. The business was profitable from the start and 5 years later she recruited 2 full-time staff. Eventually, the demand was so great that she decided to operate a care agency, providing staff to deal with the wide-ranging needs of the elderly. She used £25,000 profit from the business to buy an office for the agency.

### Questions

1. Explain why entrepreneurs need finance to start a business (4 marks)
2. What sources of finance did Ahana use to start her care business (2 marks)
3. How did she fund the expansion of the business into an agency (2 marks)
4. Evaluate the advantages and disadvantages of using internal finance (12 marks).

**TIPS** – Read the Case Study carefully before you answer the questions. You will need to research the advantages and disadvantages of internal finance before you answer question 4.

Hand in your work to Ms Cheasley during your first Business lesson.

Ms Cheasley, 12.06.17