

Aberystwyth Business School Level 3 Business Lecture Series

Making financial decisions: Sources of finance

Class room activities

**Activity one**

1. List five examples of internally generated sources of finance.
2. List five examples of externally generated sources of finance.
3. What advantages do each of your sources of finance have?

**Activity two**

1. Discuss the factors involved in decision making. Does the importance of each factor change depending on the size and nature of the company. Why?
2. What are the most important factors involved in decision making for a brand new company with very little assets?



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Multiple choice questions

1. Which of the following source of finance is not internally generated?
   1. Retained Earnings
   2. Sale of assets
   3. **Bank loans**
   4. Reducing stock level
2. Which of the following source of finance is regarded as a short term source?
   1. Lease finance
   2. Debentures
   3. **Overdraft**
   4. Bond
3. Why does a business need finance?
   1. To start
   2. To function
   3. To expand
   4. **All of the above**
4. Revenue expenditure relates to money to spend on day-to day activities
   1. **True**
   2. False
5. Retained profit is a cheap source of finance
   1. **True**
   2. False
6. Paying interest for a bank loan is an
   1. Advantage
   2. **Disadvantage**
7. Selling existing assets is a form of internal financing
   1. **True**
   2. False
8. Administration expenses is a source of finance.
   1. True
   2. **False**
9. The responsibility for managing finance is with:
   1. **The owners of the company**
   2. The bank
   3. The customers
   4. The press
10. There are no disadvantages to internal sources of finance.
    1. True
    2. **False**