

## A Level Accounting Summer Independent Learning Activity

### Sources of Finance

Welcome to A Level Accounting! As part of your studies in this subject, you need to learn about **sources of finance**.

A 'source of finance' is a place from where a business obtains the money (also known as 'capital') to operate.

You are expected to know about the following sources of finance: owner's capital (owner's savings); partners' capital; bank overdraft; bank loan; mortgage; ordinary shares; debentures

For each source of finance above, you'll need to know a definition, the features of the source of finance, and the advantages and disadvantages each source of finance to the business.

#### Task 1

Open up a word document and create a table like the one below. Using the links over the page, complete the table for **each** source of finance. These should then be **printed and brought to your first class** when you begin college in **September**.

Type of finance: Owner's Capital		
Definition/ general description		
	Advantages	Disadvantages

A general introduction to sources of finance

<http://www.bbc.co.uk/education/guides/zmj7tfr/revision/1>

Owner's capital & partners' capital

<https://www.tutor2u.net/business/reference/finance-personal-sources-of-finance-for-a-startup>

<https://www.tutor2u.net/business/reference/organisation-partnerships>

Bank Overdraft & Bank Loan

<https://www.tutor2u.net/business/reference/sources-of-finance-bank-overdraft>

<https://www.tutor2u.net/business/reference/sources-of-finance-bank-loans>

Ordinary shares

<https://www.tutor2u.net/business/reference/finance-introduction-to-raising-equity-finance>

Debentures

<https://www.tutor2u.net/business/reference/debentures>

<https://www.tutor2u.net/business/blog/sources-of-finance-debentures-in-action>

## Task 2

Once you've got the required knowledge of each source of finance, the key skill you need is the ability to compare and contrast different sources of finance, in order to decide whether that particular source will benefit the business or not. A popular comparison is between money from shares (share capital) and money that comes from loans or debentures (loan capital)

Using the information from task 1, Analyse (explain) the differences, and similarities between loan and share capital. Make a judgement as to which you think is best for a business. Bring this to your lesson in September.