

## A Level Accounting Pre-enrolment activity

Did you know that

Sources of financing for a company can be mainly classified as:

- Internal – Funds raised from within the business
- External – Money raised from outside the business

Internally money can be raised by selling off old and obsolete assets which are no longer of any use to the company. Some companies set aside a part of their earnings every year for future use. This is known as retained earnings and can be used to finance the business. The business can also raise additional cash levels by cutting down the stock levels.

External Sources of Funds:

- Short-term – Bank overdraft facility provided by banks to business customers enable them to meet their short-term liabilities by overdrawing amounts to the extents allowed. Trade credits (extended bill payment dates) are provided by suppliers to customers based on the type of industry. Factoring of debts allows businesses instant access to cash by selling their bills receivable to a debt factoring company at a discounted price
- Medium term – Hire purchase lets a business purchase an asset and pay for it in instalments. Businesses can also lease buildings or machinery by making periodic rent payments without purchasing them. Medium term bank loans can be made for a period of 1 to 5 years.

- Long term – Long term bank loans can be obtained for a period of time. Public limited companies can issue new shares and raise additional capital. A company can raise money from the public by issuing debentures. Debenture holders get a fixed rate of return and do not possess voting rights. Businesses can also sell some of their assets and then lease them for use and use the revenue earned for financing the business.

## Useful Links

<https://www.youtube.com/watch?v=JSIfwHDpkro>

<https://www.youtube.com/watch?v=vpehy2vuGQ>

<https://www.youtube.com/watch?v=fVU5Ofn1TCg>

<https://www.youtube.com/watch?v=qZG6Rcjfvro>

## Expansion Plans

Read the articles below and produce a newspaper article which outlines each organisations expansion plans, the reasons why these plans are being introduced and make justified recommendations as to which is the best way for each business to finance each expansion plan.

<https://www.bbc.co.uk/news/business-52571271>



<https://www.mancity.com/news/club/etihad-stadium-north-stand-planning-application-cgi-interpretation-63817343>

<https://www.insidermedia.com/news/midlands/rolls-royce-outlines-job-creating-expansion-plans>



**Your article must be in an appropriate format, which includes images, research, data (graphs, charts, numbers) and narrative.**