

3.1 Introduction to finance

The big picture

Most businesses need money to get started and to continue operations. **Figure 1** shows two partners opening a floristry business. To get started, they will need money to purchase resources such as plants and flowers and perhaps to hire additional staff. They will also likely need to purchase hardware and software to keep account of their supplies, costs and revenues. Even the simplest business is likely to need some funding.



Figure 1. These business partners need money to rent a shop space, buy plants and flowers and purchase technology to keep track of supplies and accounting.

Credit: Kentaroo Tryman, Getty Images

Over time, the floristry business will need money to continue operating. If things are going well, the partners should be able to pay for ongoing expenses like new plants, electricity and wages with the revenues they earn from selling their products. Occasionally, they may need to spend a large amount of money. For example, they could decide to expand their business to another location and set up another shop. At this point, they may need more money than they have available. If this is the case, they might seek additional funding from a bank or another external source.

Finance is the process of acquiring and managing money for a business. Accounting is the process of recording money flows and assets for a business. This unit will look at both finance and accounting so that you can understand how businesses acquire and manage money, as well as how they record information about the business for themselves and external stakeholders. You will also learn about different forms of business spending.