Sources of Finance: Factsheet

	Features	Benefits	Drawbacks
Owners Capital Partners Capital	Provided by owners from personal savings. Could be retained earnings for established business.	Flexible- given or taken when needed. No legal documents needed. May not charge interest. No security needed.	May not have any. May not be able to repay. Using retained earnings means owners can't take as much.
Bank Overdraft	Allows bank customer to take more than have up to a limit. Used to cover day-to-day costs. Short term. Usually small amounts. Higher interest than other sources.	Flexible, can take and repay when needed. Interest only charged on amount borrowed and whilst borrowed.	Higher interest. When in financial difficulty, bank may request payment and could cause problems. Security needed e.g. personal house/car.
Bank loan	Provided by the bank, often to purchase assets. Can range from £1,000 to £100,000+. Interest can be fixed or variable. Set period of time for repayment (long term). Security needed.	Easier to budget with even repayments. Possible flexible repayments. Better interest rates.	Long term commitment Security needed
Mortgage	Provided by the bank specific to purchasing property. Large amounts over long term. Interest fixed or variable.	Easy to budget as set repayments. Interest is low in comparison to overdraft.	Long term commitment. Security needed.
Ordinary shares	Sell a share in the business to raise finance. People become shareholders. In return shareholders hope to receive regular dividends. Plc shares purchased on stock exchange. Ltd sold to friends and family.	Ltd/Plc can potentially raise more finance than partnership or sole trader. Can introduce new/better skills. Dividends vary with level of profit or could be deferred completely.	Control is given up. Dividends have to keep shareholders happy.
Debentures	Fixed interest, fixed repayment date. No rights of ownership. Security against assets. Long term.	No voting rights. Interest is fixed, easier to budget.	Interest has to be paid Paid first if business goes bust.