3.8 Choosing the Right Source of Finance for a Business Scenario: 10-minute Pack

Total Marks

AQA 8132 · Calculators not allowed · about 10 minutes

Name: _____ Date: ____ / ____ / _____

Answer ALL questions. Use the information in each question's prompt. Short answers may be given in single phrases unless the question asks for full sentences. The final 9-mark question requires a justified recommendation in full sentences.

1 Which one of the following is the most suitable short-term source of finance for a sole trader needing to pay unexpected immediate supplier bills?

- ☐ A) A long-term bank loan
- ☐ B) Trade credit from the supplier
- ☐ C) Issuing new shares
- ☐ D) Venture capital

(Total for Question 1 is 1 mark)

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2 Kwame runs 'GreenFork', a one-person street-food stall, and needs £1,200 quickly to replace a broken fridge. Which one of the following is least suitable for immediate access to that small amount?

- ☐ A) Personal savings
- ☐ B) A bank overdraft
- ☐ C) A venture capital investor
- ☐ D) Borrowing from family or friends

(Total for Question 2 is 1 mark)

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3 State two reasons why a small sole trader might prefer borrowing from family or friends rather than taking a formal bank loan for a £2,000 short-term need.

(Total for Question 3 is 2 marks)

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4 Amelia runs a partnership bakery and wants to buy a new commercial oven costing £6,000. Identify two suitable long-term sources of finance for this purchase, given the partnership structure.

(Total for Question 4 is 2 marks)

5 Sofia runs a small cafe and has an unused delivery van she could sell to raise cash quickly. Identify two advantages of using the sale of an asset to raise finance for the cafe's short-term working-capital needs.

(Total for Question 5 is 2 marks)

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Mark scheme · 3.8 Choosing the Right Source of Finance for a Business Scenario: 10-minute Pack

Question 1

B cao **B1**

Answer: B

Question 2

C cao **B1**

Answer: C

Question 3

likely to be quicker and more flexible, cao **B1**

may involve lower or no interest and more lenient repayment terms, cao **B1**

Answer: It is likely to be quicker and more flexible; and it may carry lower or no interest with more lenient repayment terms.

Question 4

a bank loan, cao **B1**

or hire purchase/leasing if named and suitable for equipment **B1**

Answer: Bank loan or hire purchase/leasing, for example a bank loan.

Question 5

quick access to cash without taking on debt, cao **B1**

does not dilute ownership or require repayments, cao **B1**

Answer: It provides quick cash without taking on debt, and it does not dilute ownership or create repayment obligations.

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