Task 4 (P3)

Sources of Finance available to Joseph Chamberlain Sixth Form College

There are two types of sources of finances namely internal sources and external sources. Internal sources of finance can be from savings or profits however external sources of finance can be from outside the business such as banks, shares etc
There are many different sources of finance available generally however it depends on the actual business type. For JCC the sources of finance available to them are as follows:

- Banks – banks are able to offer loans, business accounts, commercial mortgages and overdraft facilities based on the business plan. Interest is payable based on the predicted risk. Some security will need to be provided, e.g. assets such as a college premises, college mini bus and any valuable item which is worth more than the loan. JCC may take this loan in for its finance for the use of buying premises.

- Hire purchase – hire purchase means that resources can be used by the business while they are being paid for. Until the last payment is made on the agreement the goods are not owned by the business and if payments are not made the finance company can take them back. JCC might use this for purchasing its resources such as computers.

- Overdraft - an arrangement with the bank where a business will be able to borrow more money from its bank than is actually in their account. JCC will not be using this because they have no need for it and it also costs higher amount of interest rates.

- Trade credit – when a business sells its goods and then allows the customer to pay at a later date. Goods have to be paid for within an agreed time limit. JCC uses this facility in most cases for purchasing of stationery and equipments such as computers as there is no interest rates on it however they is the minimum time given by the seller if not met the deadline then interest may be charged.

- Factoring – when a business sells off its debt to another company. JCC might use this because of more convenient to follow up the debts and the money can be given by the factoring right on the spot thus saving time for JCC to go after the debtors.

- Retained profit - profit that is made is kept back to help finance future plans. JCC does not use this source of finance.

- Sale of assets – selling off and turning into cash something which the business owns. The assets which are sold may not be needed any longer by the business. JCC does use this source of finance as to gain capital as they will sale the current building since they are building a new one.

- Lease – a method of obtaining items for a stated period of time. At the end of the lease the item has to be returned to the owner. Useful when expensive machinery is replaced regularly. JCC use this source of finance as it is convenient for them as they do lease photocopy machines which they use them.

- Grants - an amount of money usually made available for a specific purpose by the government. JCC use this source of finance as it is their core source of finance.

- Owner's investment – the existing owners of the business may invest more money. JCC does not have this source of finance.

- Mortgage – a very long – term method of borrowing money which requires some security. JCC does not use this source of finance.

- Share issue – limited companies and release shares for people to buy to raise money. JCC does not have this source of finance available to them because it is not a limited company as it's owned by the government.

- Debenture – another type of loan but is secured against an item that is worth a lot of money as security. JCC does not use this source of finance.

- Learning and skills council – this is a government organisation which gives money to the educational institutions. JCC gets money from them as one of the source of finance.