Sources of Finance

Business & Management

Where money comes from, and what it costs in cash or in control.

Ordered roughly by stage and cost.

Source	Type	Cost
Retained earnings	Internal	Opportunity cost only
Bank loan	Debt	Interest; often secured
Overdraft	Debt	High rate; repayable on demand
Trade credit	Debt	Free if terms are met
Leasing	Debt	Preserves cash; total cost higher
Angel / VC	Equity	Ownership and control
Public equity	Equity	Dilution plus listing costs
Grants	Neither	Restricted use; competitive

Match the term: fund long-term assets with long-term finance. Buying a building on an overdraft is how businesses fail.