

# 3

## Unit Finding the money

### Activity sheet 3.26.2

- 1 Read the case study and then complete the table below by identifying what source of finance is used at each stage where a letter appears in bold.
- 2 On each occasion, give one advantage and one disadvantage to a business when it uses that particular method of obtaining funding.

#### Case study



Jed and Nicola had been keen on hi-fi for several years. They had visited shops regularly and investigated many different types of equipment. Jed also worked occasionally as a DJ at birthday parties, weddings and other events. He was an expert in setting up and troubleshooting the equipment he used. Because of this expertise, Jed was often asked by friends for advice about buying hi-fi equipment. Eventually, they decided to turn their hobby into a business by opening a shop in the local town centre.

They found a suitable shop premises to rent but needed money for display equipment and initial stock. The business was called HiLife Sounds. Fortunately, they had enough money in savings to do this **(A)**.

Business was slow at the beginning, but early satisfied customers told their friends about the shop and within six months, Jed and Nicola had made enough profit to invest in a special booth where customers could assess the sound quality of the equipment more easily **(B)**.

The business continued to do well and Jed and Nicola decided that their customers would appreciate having the equipment they purchased being delivered to their homes. However, instead of buying a van they found a method whereby they could pay each month and all the servicing and repair bills would be included **(C)**.

After a couple of years they decided to open another shop in a neighbouring town. Profits had been good, but there was not enough to set up the new shop so they approached a bank to borrow the money needed. They decided to pay back the money within three years **(D)**.

After six years Jed and Nicola owned five shops, all of which were within a 15-mile radius of the first shop. One day they received a telephone call from a man called Paul who said that he worked for a type of finance company called Fast Track. He explained that his company specialised in investing in small businesses which were doing well and had the potential to grow **(E)**.

After several meetings, it was agreed that Fast Track would have a 50 per cent share in HiLife Sounds. Part of the arrangement was that Fast Track would advise on how to expand the business rapidly with the eventual aim of having 50 or more shops around the country. Three of the shops were set up with some financial assistance because of high local unemployment **(F)**.

After 12 years the target number of shops had been opened. Fast Track was happy that the value of its investment had grown but now wanted to release its money for other ventures. Paul suggested that it was time to use the Stock Exchange to raise money **(G)**.

Although the business was healthy at this stage, progress had not been without its problems. In the middle of the expansion, the economy had a couple of years of recession and people could not afford to spend as much money and HiLife's profits fell. As a temporary measure, five shops were sold to release enough money to allow the rest of the business to survive **(H)**.

# 3

## Unit Finding the money continued

Activity sheet  
3.26.2

Statement	Source of finance	Advantage	Disadvantage
A			
B			
C			
D			
E			
F			
G			
H			