6 New business

- types of funding
- steps in a funding application
- phrasal verbs

6.2 Vocabulary Funding a start-up

Discussion

1 **Work in small groups. You are financial advisors to start-ups and small companies. What sources of funding would you recommend in the following situations?**

1 [redacted] is a temping agency providing clerical help to other companies. It needs a new photocopier/printer but it does not have the cash available to buy it.

2 [redacted] is a start-up providing home help for all sorts of everyday tasks or problems: gardening, household repairs, cleaning, ironing, etc. It needs £8,000 to cover start-up costs.

3 [redacted] is an inventor. He has patented a new type of car engine which is 50% more efficient than existing engines. He needs money to produce a prototype but wants to keep control of his business.

4 [redacted] is a small engineering company that has temporary cash flow problems. It needs £1,500 to pay for raw materials. They are expecting to be paid £5,000 in outstanding bills in the next two weeks.

Defining words

2 **Read the advice leaflet about business funding. Match the types of funding in the box with the correct descriptions.**

bank loan equity finance friends and family grants leasing overdraft self-funding

1 _____

Drawing on personal savings and credit cards can cover start-up costs without having to wait for other people's decisions.

The downside is that using credit cards can be expensive in the long term.

2 _____

Regular repayments can make it easier to budget.

On the other hand, repayment schemes can cause cash flow problems. You may also need to provide security, such as business assets, or a guarantor.

3 _____

This can be a very flexible option for short-term or day-to-day requirements.

The disadvantage is that they usually bear a higher interest rate than other loans.

4 _____

They might be willing to provide an interest-free loan or not require security.

On the other hand, funding from this source can put strain on your relationships.

5 _____

You get your funding, while the investor only realizes their investment when the business is doing well. You also get their expertise.

On the downside, it's hard to raise this finance, and your own influence and share of the profits will be smaller.

6 _____

These appear to be a source of cheap financing.

However, there is often strong competition, and you may be required to provide matching funds. You may also need to prove a wider benefit to the community.

7 _____

You can spread the cost of acquiring assets and maintenance may be covered.

But it's more expensive than if you buy outright, and you don't own the assets until the end of the agreement.

3 **Look back at your answers in Exercise 1. Would you change any of your recommendations?**

4 **Find words or phrases in the advice leaflet that mean:**

1 the amount of money you pay back each month
2 money coming into and out of your business
3 an item you agree to give if you fail to pay
4 a person who takes responsibility if you fail to pay
5 debt which you pay back without any additional charge
6 money you provide alongside government funding
7 the cost of keeping something working