

Financing an Enterprise

Key Terms

Capital Expenditure – the purchase of fixed assets and spending on items held by the business in the long term.

Revenue expenditure – to the purchase of goods and service that will be consumed or have already been consumed in the day-to-day operations of the business.

Working capital – the money an enterprise needs to function from day to day. This money will be used to pay for things such as: stock, bills, wages.

Retained Profit – major source of long-term finance for a business. It is the amount of profit that is not shared out. It stays within the business.

Venture capital – an individual or enterprise that seeks to invest in new business ventures.

Leasing -

Peer-to-peer funding – general public and enterprises an opportunity to invest in business start-ups through an online portal.

Trade credit – one of the main sources of short-term finance for a business. Current assets such as raw materials are purchased on credit with payment terms normally varying between 30 to 90 days. It is like an interest free short-term loan.

Hire Purchase – purchase equipment from a supplier without having to pay for the whole cost upfront.