Business Virtual Learning

Course: Intro to Business

Lesson: Introduction to Finance

May 4, 2020

Inspiring Greatness
INDEPENDENCE SCHOOL DISTRICT

Lesson: May 4, 2020

Objective/Learning Target: Students will be able to:

(1) Understand the importance of financing for entrepreneurs
(2) Determine the differences between debt or equity financing.

Lesson Starter

How much money do you think it costs to start a small business?

Lesson Starter Continued

It really does vary depending on the type of business, but what we are going to focus on today are the options entrepreneurs have to find their start-up money.

Financing Options

Please click the video or link below to watch a video explaining the variety of financing options entrepreneurs have when trying to start or expand their business.

https://www.youtube.com/watch?v=MYVL1XHeB74&t=460s

Debt vs. Equity Financing

DEBT FINANCING		EQUITY FINANCING
ADVANTAGES		
Keep full ownership	1	Less risk than debt
No obligations after paying debt	2	No paying back funds
Interest is tax deductible	3	Gain credibility through investor networks
Short- and long-term options	4	Investors don't expect immediate ROI
More cash on hand	5	Fixed payments for better budgeting
DISADVANTAGES		
Must pay back	1	Investor returns could be more than debt payments
Could cause cash flow issues	2	Investor gets some ownership
Usually need collateral	3	Must consult investor for decisions

Activity: Sources of Funds

Directions: Research online and write descriptions on each of the different ways (listed below) an entrepreneur can fund their business. Also be sure to tell me if this source is either <u>DEBT or EQUITY</u> financing. You may write your answers on a piece of paper or type them on a Google Doc.

- Personal Savings
- Friends and Family
- Credit Cards
- Line of Credit
- Term Loans
- Chattel Mortgage
- Real Estate Mortgage
- Equipment Loan
- Asset- Based Loan
- Factoring
- Business Angels
- Formal Venture Capitalists
- Crowdfunding
- Government Loan Programs
- Selling Stocks

Lesson Review

Now that you have learned about all the pros and cons to debt and equity financing, if you were to start a business which option would you choose? Why?