Discussion- ch5

Business

DD Month YYYY DISCUSSION CH-5 DISCUSSION Small entrepreneurs have three different financial options. These include loans, stocks, and equity financing. In equity financing, the entrepreneur uses the real assets of an individual instead of borrowing money from outside sources to start a new business (Sloman and Sutcliffe, 243). Loan is a type of financial option where an entrepreneur borrows some financial resources from the lending institutions. In stock financing, a person agrees to offer funds for the business on condition that he gets a fair share of the company’s ownership. The basic advantage of loan is that they are based on the business value and its ability to repay the loan in full. Bank loans are not accompanied by any ownership condition. In addition, the bank personnel are not involved in the running of the business (Sloman and Sutcliffe, 104). The disadvantage of loan is that they are difficult to obtain and also the borrowers need to provide their personal guarantees. The pros of equity financing include no payment of interest. The investors are not paid interests though they will owe the entrepreneur some portion of profit. Equity financing has no liability. The entrepreneur is not liable and in case of failure, the investor takes the risk. No monthly payments are needed in equity financing. This allows for more money in the business to keep things running. Con associated to equity financing include giving up ownership. This is due to investors owning part of the business (Sloman and Sutcliffe, 303).

Pros for stock include them being considered being having potential for higher returns as compared to other types of investments that are used by companies. Stock is considered to pay dividends. Extra income can be used to buy more shares for the company. Cons for stock include dramatically rise and fall that occur in stock price (Sloman and Sutcliffe, 167). Stack is seen

also to have no guaranteed return.

Response 1

I agree with you that the most common types of financing for small entrepreneurs would be equity financing and debt financing. This is due to unavailability of ready finances. Debt financing allows using the finances and later pay to the lenders. Selling of shares is convenient to them as the money need not to be repaid.

Response 2

I equally agree with you that there are so many important skills that managers should have in order to drive success towards the company. The skills that are needed by the managers including ability to be a leader, positive relationship with employees, proper planning, proper delegation of duties, effective communication and accounting and proper financing gears a business towards achieving its set goals and objectives.

Reference

Sloman, J. and Sutcliffe, M. Financing small businesses. New York: Prentice Hall, 2008. Print.