

However, borrowing has the following advantages and disadvantages essay sample

[Business](#), [Company](#)



Business funding

Investment banker: is an individual whose work is to raise finances or capital for companies, government or other entities or works in a big bank section that deals with these activities (Reuvid, 2011). They also provide other services such as advices on acquisition, transactions reorganization and mergers to their clients.

Stock market: also called equity market, is a public entity that allows the trading of company shares and derivatives at an agreed price. These are the securities traded privately or listed at the stock exchange.

Financial management is the management of the business or organization finances in order to achieve the firm's financial objectives. These objectives may include wealth creation, cash generation and making profit activities (Reuvid, 2011). Its key elements are:

- Financial planning: this is ensuring there is timely availability of funds to meet the firm's needs in investment and other operational costs.
- Financial control: it ensures the firms operations aligned with the business objectives by ensuring security of the firm's assets, efficiency of the assets and ensures the management act according to the business rules and stakeholders interest.
- Financial decision-making: these decisions relate to financing, investment and dividends. The management considers investment by looking at possible investment alternatives such as borrowing and selling shares. An important decision is on whether the firms profit to be invested or divided among the stakeholders' activities (Reuvid, 2011).

Risk financing: this is the arrangement of finances to meet the financial

losses, which arise due to unforeseen and unpredictable incidents. These include timing, monetary and administration costs.

- Time costs: this is the failure of the business to achieve its objectives of completing projects on time. It can cause huge losses through fines, litigation costs and time wastage.

- Monetary costs: it occurs when incidents happen that disturb the business cash flow. For example, machinery breaks down or premises destruction activities (Reuvid, 2011).

My preferred source of funding will be borrowing from financial institution, friends and family. Considering that I want to own the business alone when it is initiated, the other options will not help me realize this dream. If I license the technology, I will lose the business and be compensated with cash.

Selling stock will only make me a partner in the venture losing my desired goal activities (Reuvid, 2011).

Pros:

Reliable: borrowing from a financial institution is reliable as there is continuous availability of cash and it is trust worthy.

Terms of payment: there are set and agreed upon terms that cannot be bleached. This will allow me the required preparation before making the next installment.

Straightforward: financial institution have no hidden charges and this makes them best. They have experience and the procedure of acquiring the loan is well documented and explained activities (Reuvid, 2011).

Cons

Interest: money borrowed has to be repaid with a certain rate of interest.

Depending in credibility history, the rate may be high or the financier may reject the request.

Collateral: financial institutions will always ask for collateral. This will make the access of the loan impossible if one does not have such assets as required activities (Reuvid, 2011).

Other possible ways of funding the project may include grants from the government through the small business administration. Approaching the organization with your business idea and it is assessed. If it meets the required standards, you are given a loan to fund it or a grant. It is advantageous in that you get free money through grants and collateral free loans activities (Reuvid, 2011). However, it is highly competitive and there is a strictly defined way of using the funds.

References

Reuvid, J. (2011). Start up and run your own business: The essential guide to planning, funding and growing your new enterprise. Philadelphia: Kogan Page Ltd.