

Describe sources of internal and external finance for a selected business

[Finance](#)



Introduction: In this particular task of the unit I will describe the internal and external financial sources for a particular selected business. In this task I will use the same company as I did before in the previous part of the unit.

The name of the company is Media Markt. In this task we will get to know where money actually comes from to actually create such a big company which is well known of its electronic products.

What are the main ways in which the Business can access its financial resources? In this particular task I'm using the company: Mediamarkt. The business can access its financial resources in two ways:

- * From within the business (Internal Source).
- * From outside the business(External Source).

Internal Source:

The internal Sources for the owner of Media Markt can be from the business savings or the owners own savings. For Media Markt the owner had to use his own personal savings to start the business, as we see Media Markt at the moment, very big and so much product, It wasn't like this years ago, because the owner had to start small and in this way he grew each year by selling good products and by fulfilling the the needs of the customers.

Capital from Profits:

Once Media Markt was started the owner-operated accurately. The money he made as a profit he puts it back into the business as a investment to expand the company properly. In this way he kept on doing that and now as we can see Media Markt is one of the biggest companies selling high quality electronic devices. In which way does the Internal Source give an Advantage

to the business? As the business is being started by the owner of Media Markt Himself he doesn't have to be pay any interest at all to a particular bank, because he used his own personal savings to start the business. The good thing about the owner of Media Markt is that he didn't lend money from different banks, because otherwise he would have been in a debt loss, in this could have been a bad thing for the business, because if half of the profit goes to the bank, the owner can't invest money to make the company bigger.

External Sources :

The External sources are also in other words Sources from the outside. Media Markt made use of different kind of external sources to expand their business. By for example, Building societies, Leasing, Venture Capitalists, and Friends or Family.

Media Markt Building Societies: As the company built societies outside of the company it is a good advantage for them, because building societies are also able to offer loans, business accounts, commercial mortgages and overdraft facilities based on the business plan of Media Markt.

Media Markt Leasing a business:

For Media Markt Leasing means that resources can be used by the business while they are being paid for to a finance company. Until the last payment is made on the agreement, the goods are not owned by the business, and if payments are not made the finance company can take them back.

Media Markt using Venture Capitalists:

These are professionals that invest an upcoming new business such as Media Markt in which they also did, however they do that usually in a return for a share in the ownership.

Friends and Family:

The owner of Media Markt had its own savings also but he wanted to expand Media Markt as a business that is the reason he also used the money of his friends and family in return for a share in the company. He can also lend money from a bank but that is often a risk, because if the business doesn't turn into a success the owner will be in a very high debt.

Banks:

As Media Markt didn't have a lot of money they needed the help of the bank in terms of finance, because starting up a business costs a lot of money in many, the building, the technological equipments and offices are needed to create a good business in a country. In this way they had a base to start on with the money to expand the business thoroughly.

Hire Purchase:

The hire purchase method is a really important one for Media Markt. They use the resources and they are also being paid, which means that they are allowed to make use of the resources as they are paying accurately for these, however it doesn't mean that these goods are owned by the business itself. However, it is essential to know that Media Markt has to do the payment to the finance company, otherwise they can take the goods back that Media Markt has in the business, which is either way a loss for Media Markt and a bad corporate image.