Activity-based Resources for BAFS Topic 6: Sources of Fund for a Business Venture

Business Management Module

Financial Management

**Activity-based Resources for Business. Accounting and Financial Studies**

Business Management Module – Financial Management

***Topic 6: Sources of Fund for a Business Venture***

**Student Worksheet 1**

**Group Members:**

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Activity 1(A): Brainstorming of business idea**

Based on your group’s findings on new product/service launches, interest, experience, analysis of business environment, etc. your group is required to brainstorm several business ideas. Compare their feasibility and potential for development, and then select one for your group’s new business venture. Give the details of it in the table below.

|  |  |
| --- | --- |
| *Products/services to be provided:* |  |
| *Location of store, if any:* |  |
| *Target market(s):* |  |
| *Sources of revenue:* |  |
| Marketing/promotion: |  |
| *Others such as positioning, pricing strategies, etc.:* |  |
| *Why interested? (Provide justification):* |  |

**Activity 1(B): Projecting the financial needs**

Assuming you are the owners of the business venture and going to prepare a simple budget for it. Discuss the financial need for the venture by searching data/information on the cost, capital and expenditure required such as rent, equipment needed, inventories supplies, etc.

|  |  |
| --- | --- |
| ***Items*** | ***Amount needed*** |
| *Rent and deposit* |  |
| *Equipment needed* |  |
| *Initial inventory* |  |
| *Promotion cost* |  |
| *Labour cost* |  |
| *Petty cash* |  |
| *Others:* |  |
|  | ***Total:*** |

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**Student Worksheet 2**

**Activity 2(A): Comparing different sources of financing**

#### As the owners of the business venture, identify possible sources of fund based on your projection on Student Worksheet 1 (SW1) and classify them into equity financing an debt financing (short-term or long-term).

|  |  |
| --- | --- |
| ***Equity Financing*** | ***Debt Financing*** |
|  | *Long-term financing*  *Short-term financing* |

1. Determine the sources of finance for the business venture.

|  |  |
| --- | --- |
| ***Sources of fund*** | ***Justification*** |
|  |  |

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**Student Worksheet 3**

**Activity 2(B): Report writing and oral presentation**

1. With reference to **Activity 1(A)** in SW 1, describe your group’s business venture. Your group may modify your business idea after considering the factors or challenges of financing.

|  |  |
| --- | --- |
| *Products/services to be provided:* |  |
| *Location of store if any:* |  |
| *Target market(s):* |  |
| *Sources of revenue:* |  |
| Marketing/promotion: |  |
| *Others such as positioning, pricing strategies, possibility of expansion, etc.* |  |

1. Briefly explain the selected sources of fund from SW 2 with justification.

|  |
| --- |
|  |

1. List and explain the possible challenges that the business venture may encounter while raising fund.

|  |  |
| --- | --- |
| ***Examples of challenges:*** |  |
| *Competition:* |  |
| *Difficulty in obtaining fund:* |  |
| *Low awareness for your business:* |  |
| *Others such as limited room for expansion:* |  |

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**Student Worksheet 4**

**Activity 3: Follow-up/extended activity**

1. Estimate the items for computing net present value (NPV) for the business venture (capital project).

|  |  |  |
| --- | --- | --- |
| ***Cash inflows*** | ***Cash outflows*** | ***Net cash flow*** |
| *e.g. sales revenue* | *e.g. initial equipment set up, operating cash expenditure* |  |
| **Estimated cost of capital** |  | |
| **Estimated project life** |  | |

1. Calculate the NPV

***Formula:***

***Answer:***

***Decision*:** Accept or Reject? Why? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_