**WHAT is the QUESTION????**

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**ANSWER**

**Creditworthiness:**

The bank will look at her credit history and her record in terms of repayment of

previous loans. Any bad debt history will affect her loan application.

**Ability/capacity to repay the loan/Business Plan:**

Sarah will be expected to provide a business plan outlining her trading history and

predicted profit trends for the short and medium term. Profitability/liquidity/gearing.

**Amount /purpose of the loan/Time period for the loan:**

The larger the loan amount required the riskier it is for the bank in terms of default.

As a consequence, the loan application may be affected. Furthermore it will be

expected that the loan application is for a productive purpose e.g. business expansion.

**Availability of Security:**

A valuable asset such as premises will be required as collateral for the loan. In the

event of a default the bank will be able to sell the asset to recover its loan.

Level of own investment/Grants etc.

**WHAT is the QUESTION????**

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**ANSWER**

**Short-term finance** is finance available for a period of up to one year. It should be

repaid within twelve months and should be used for short term needs.

**WHAT is the QUESTION????**

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**ANSWER**

**Bank Overdraft**

This is a facility offered by a bank that allows current account holders to withdraw more money from their account than they actually have in it. Interest is charged on the outstanding balance on a daily basis. It can be recalled by the bank at any time. Sarah could use an overdraft facility to purchase stock or pay the wages of part- time staff**.**

**Accrued Expenses**

This source of finance frees up money by delaying the payment of regular bills such as utilities, rent or insurance. This would free up cash for Sarah to pay for supplies which in turn could be sold allowing these bills to be paid later.

**Trade Credit**

Sarah may buy stock for resale on a “buy now and pay later” basis. The amount of credit available may be dependent on her reputation and creditworthiness. There is no direct charge but cash discounts can be sacrificed if Sarah chooses to buy raw materials and stock on credit**.**