**2.1.1 Internal finance**

1. What is meant by the term internal finance?

Internal sources of finance refers to the funds used from within a business to fund set-up, day to day running or growth.

1. Which three of the following are examples of internal finance?
   1. ~~Share capital~~
   2. **Personal savings**
   3. **Sale of assets**
   4. ~~Family and friends~~
   5. ~~Crowd funding~~
   6. **Retained profit**
2. Which one of the three correct answers in question two is the only option for a new business venture? Explain your answer.

Personal savings.

A new business venture will not have retained profit as it has not yet been trading. It is also unlikely to own assets which it is able to sell.

1. Which one of the following is the best example of an advantage of using sale of an asset to fund expansion?
   1. **No interest repayments**
   2. ~~Lease new equipment~~
   3. ~~Available even if making a loss~~
   4. ~~Disposes of obsolete equipment~~

Explanation:

Sale of an asset will bring finance into the company without the need for a loan. A key advantage is therefore that there will be no interest repayments.

1. State three assets that a dairy farmer may be able to sell to raise finance. Try to give a range of different examples not similar ones.

* Farm equipment e.g. tractor
* Cows
* Land