Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**12. Raising finance Mark: /15**

1. Josh has £50 000 in a savings account. He intends to leave it there for the next 3 years and has a fixed annual interest rate of 3% per year. How much will Josh have in personal savings at the end of 3 years £50 000? /4 marks

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1. Sanja Ltd’s is experiencing short term cash flow problems and considering an overdraft.

The bank has offered Sanja Ltd a 3 month overdraft at 5% on the condition that £50 000 is paid back at the end of each month. Interest will be charged on the balance at the start of the month.

1. How much will Sanja have to pay back in interest in month 1? /2 marks

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1. How much will Sanja have to pay back in interest in month 2? /3 marks

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1. Sanja Ltd wants to raise £750 000 to buy a new machine. The bank has offered to lend it the money at 4% interest over 4 years.
   1. What is the compound rate of interest over the four year period? /4 marks

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* 1. What is the total interest payment as a percentage of the original loan? /2 marks

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What are the advantages and disadvantages of using a loan

rather than share capital to raise long term finance?