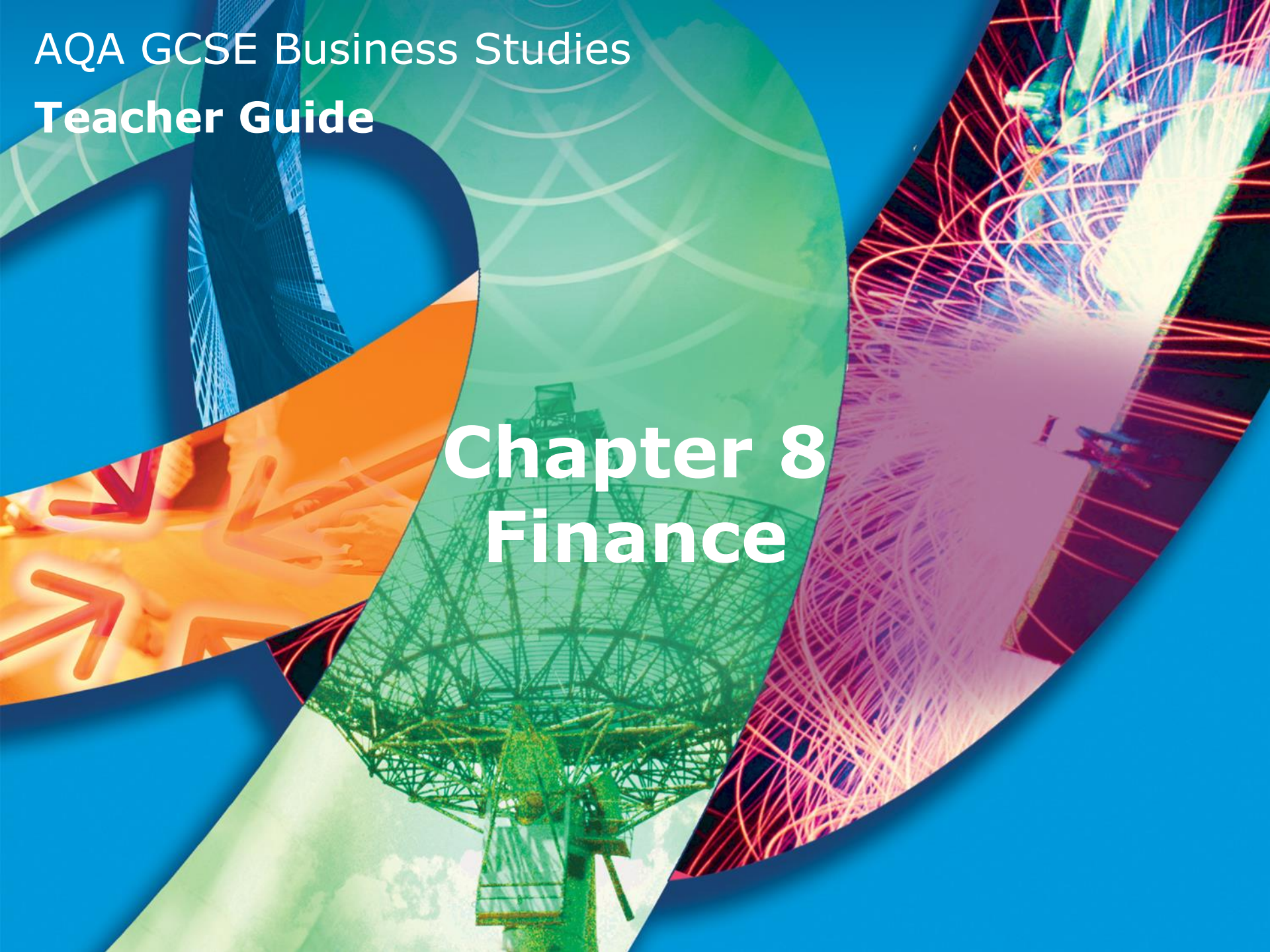


AQA GCSE Business Studies
Teacher Guide

Chapter 8
Finance





Large businesses need finance

Finance is needed to:

- develop new products
- introduce new methods of production
- pay for major marketing campaigns



Raising money

Businesses can raise money from:

- retained profits
- selling assets
- bank loans and mortgages
- new share issues



Source of finance

The chosen source will depend on:

- the business's profits
- the assets the business owns
- whether the business is a (public) company
- the amount of finance needed



Financial statements

There are two main statements:

- balance sheets
- profit and loss accounts



Balance sheet

- This records a business's assets and liabilities on a given day.
- It always balances.

Profit and loss accounts

These show a business's:

- revenue
- costs
- gross and net profits

They relate to a trading period.



Interpreting financial statements

Profits ratios:

- gross profit margin
- net profit margin

Liquidity ratios:

- current ratio
- acid test ratio