Guide 18: Find possible funding

Your goal

Identify possible sources of money for your business. Explain why each source could fit your needs and what conditions you would need to check.

A business may have a useful idea but not enough money to launch it. Funding helps pay for resources. It can also bring repayment duties, costs, or changes in ownership.

What to produce

A description of the potential sources of financial capital for your business.

Explain the connection between the amount you need, the purpose of the money, and the sources you identify. You are making a plan, not applying for a loan or asking people for money.

Key terms

- **Financial capital:** money used to start or operate a business.
- **Internal funding:** money from within the business, such as retained profit.
- **External funding:** money obtained from outside the business.
- **Debt finance:** borrowed money that must be repaid under agreed terms, usually with interest.
- **Equity finance:** money invested in return for an ownership share.
- **Interest:** the charge for borrowing money.

An owner's personal savings can help fund a new business. Do not assume a new business already has profits available to reinvest.

Step 1: Identify the funding gap

Read your startup cost estimate. How much money is needed, when is it needed, and what will it pay for?

Identify any funding already available. Keep confirmed resources separate from possible resources. The difference between your need and your available funding is the gap you must address.

Use an invented personal budget if your teacher asks for an example. You do not need to share private family finances.

Step 2: Identify realistic sources

Consider sources appropriate to your business, location, age, and required amount. These might include owner funds, a documented loan, or investment from an outside owner.

Friends and family can provide loans, investments, or gifts. These are different arrangements. Describe which one you mean; “family money” does not explain the conditions.

You may also explore competitions, incubators, or crowdfunding as project extensions. They are not assessable course content in the CED. Their availability and rules vary. Crowdfunding can involve donations, rewards, loans, or ownership, so check the actual arrangement.

Do not assume that a source is available simply because you found its name online.

Step 3: Check the conditions

For each possible source, ask:

- Who is eligible, and can someone your age apply?
- How much funding might be available?
- Must the money be repaid? When, and with what interest or fees?
- Does the funder receive ownership or control?
- Are there limits on how the money can be used?

Record the source of these details. If the terms are unknown, say what needs checking. Discuss any real application with your teacher and a responsible adult first.

Example: Ready Pouch

Ready Pouch is our fictional example business. Its proposed product is a small pencil pouch for students.

These are fictional possibilities, not offers of funding.

Ready Pouch's initial cash estimate is **USD 400**. Suppose its owners could contribute USD 150. The remaining gap would be:

400 - 150 = **USD 250**.

One possible source is a family loan for USD 250. This could leave ownership unchanged, but the team would need agreed repayment terms. It would also need to check whether future cash receipts could cover repayments.

Another possibility is an investment of USD 250 for an ownership share. The investor would share in ownership and might influence decisions. The business would need to agree the rights attached to that share.

Neither source is automatically best. A loan is not free money. An investment does not remove all obligations. The team should explain which conditions it could accept and why.

Step 4: Explain the fit

Link each source to your actual resource needs. A small equipment purchase and a large expansion may need different funding arrangements.

Consider what happens if sales are lower than expected. Debt repayments may still be due. Equity can reduce repayment pressure, but it gives away part of the ownership.

Funding is not sales revenue. A loan brings cash into the business and creates a liability; it does not show that customers want the product.

Your turn

Describe your funding need and suitable potential sources. For each source, explain the amount or purpose it could support, its conditions, the benefits, the risks, and what remains unconfirmed.

Optional starter: “This source could help us pay for ____. It may fit because ____. Before using it, we would need to check ____.”

Check your work

- My proposed sources match the size and timing of my funding need.
- I distinguished borrowing from ownership investment.
- I explained conditions and risks, not only benefits.
- I marked unconfirmed funding as potential.
- I did not include funding receipts as sales revenue.

Next: Develop your pitch

In Unit 3, Task 3, you will explain your product and its value to a prospective lender or investor.

Independent guidance based on the AP Business with Personal Finance CED, printed page 169. This is not an official College Board resource.