

Business and Personal Finance © 2012

Chapter 6: Sources of Funding

Check Your Answers: Section Assessment

Section 2

Review Key Concepts

- 1.** Business credit cards, commercial finance companies, venture capital firms, and the Small Business Investment Companies (SBICs).
- 2.** Creative entrepreneurs are responsible for building the American economy. Nearly all of the nation's Fortune 500 companies started as small businesses, and almost all of American businesses operations are considered small businesses by the SBA.
- 3.** The SBA offers management training, organizational guidance, and assistance in getting funding. If your bank denies your loan request, you can complete an application for an SBA loan under the Guaranteed Loan Program. If it approves the loan, it authorizes your bank to give you the funding and guarantees a major portion of the loan. The SBA also offers special guaranteed loan programs for international trade, pollution control, exporters, and businesses entering markets in economically depressed areas.

Higher Order Thinking.

- 4.** Answers may vary, but a loan from a commercial finance company should be the first choice because it may offer the best terms and, since the business has shown a profit, it should qualify for this type of loan.

English Language Arts

- 5. Power of Persuasion** Letters will vary but should demonstrate an understanding of the information a lender would need to approve a loan. The focus should be that the business will be profitable and that the loan will be repaid in a timely manner.

Mathematics

- 6. SBA Loans** Percentage guaranteed on \$110,000 loan = $85\% \times \$110,000 = \$93,500$;
Percentage guaranteed on \$175,000 loan = $75\% \times \$175,000 = \$131,250$