



Business Management
Chapter 17 Financing A Business

(A), equity, capital, owner capital (B) retained earnings, (C) debt capital, creditor capital, (D) stock (E) securities, (F) common stock, (G) preferred stock, (H) market value, (I) par value, stated value, (J) book value, (K) short-term capital, (L) open line of credit, (M) promissory note, (N) factor, (O) sales finance company, (P) long term capital, (Q) long term notes (term loans) (R) lease, (S) bond, (T) debentures, (U) mortgage bond, (V) convertible bond, (W) investment bank, (X) initial public offering (IPO), (Y) stock rights option, (Z) venture capitalist.

1. _____ Business owners' personal contributions to the business.
2. _____ Profits that the owners do not take out of the business but instead save for use by the business.
3. _____ Capital that others loan to the business.
4. _____ (or a share) is a share of ownership in a corporation.
5. _____ Stock and Bonds, are known as.
6. _____ stock that gives holders the right to share in the corporation's profits and to participate in managing the business by voting on basic issues.
7. _____ stock that gives holders first claim on corporate dividends and other assets after debts have been paid, but holders have no voting rights.
8. _____ price investors pay for the stock on any given day.
9. _____ dollar value printed on the stock certificate.
10. _____ Value of a share is found by dividing the corporation's Net Worth (assets minus liabilities) by the total number of shares outstanding.
11. _____ debt capital that must be repaid with interest within a year, and often in 30, 60, and 90 days.
12. _____ authorization to borrow up to a specified amount for a specified period of time.
13. _____ unconditional written promise to pay to the lender a certain sum of money at a particular time or on demand.
14. _____ firm that specializes in lending money to businesses based on the business's accounts receivable.

15. _____ purchases installment sales contracts at a discount from businesses that need cash or that do not care to handle collections.
16. _____ capital borrowed for longer than a year. Long term notes and Bonds.
17. _____ notes written for periods of 1-15 years
18. _____ contract that allows the use of an asset for a fee paid on a schedule such as monthly.
19. _____ long term written promise to pay a definite sum of money at a specified time.
20. _____ Unsecured bonds. No specific assets are pledged as security.
21. _____ bonds secured by specific assets pledged as a guarantee that the principal and interest will be paid.
22. _____ permits a bondholder to exchange bonds for a prescribed number of shares of common stock.
23. _____ organization that helps a business raise large sums of capital through the sales of stocks and bonds.
24. _____ first time that a company sells stock to the public.
25. _____ contract that allows stockholders to buy additional shares for less than the market price for a specified period of time.
26. _____ investor or investment group that lends large sums of money to promising new or expanding small companies.

Review Facts

1. On a balance sheet, what is the meaning of capital?
2. What are three methods of obtaining capital?
3. What is the difference between equity capital and debt capital?
4. Are holders of common stock the first investors to get dividends?
5. Are preferred stockholders guaranteed a fixed dividend?
6. Do preferred stockholders ordinarily have voting privileges in the management of the business.
7. When a corporation goes out of business, are both preferred and common stockholders likely to get much money from the assets.
8. What is the relationship between the par value of stock and its market value.
9. How is the book value of a share of stock calculated.
10. List two situations in which book value might be used.
11. What are some questions that a borrower must be prepared to answer when applying for a loan?
12. List three ways that a corporation obtains long-term debt capital.
13. What is the principal difference between mortgage bonds and debentures?
14. What three factors should companies consider when deciding how to get the capital they need?
15. What is the major service provided by investment banks?