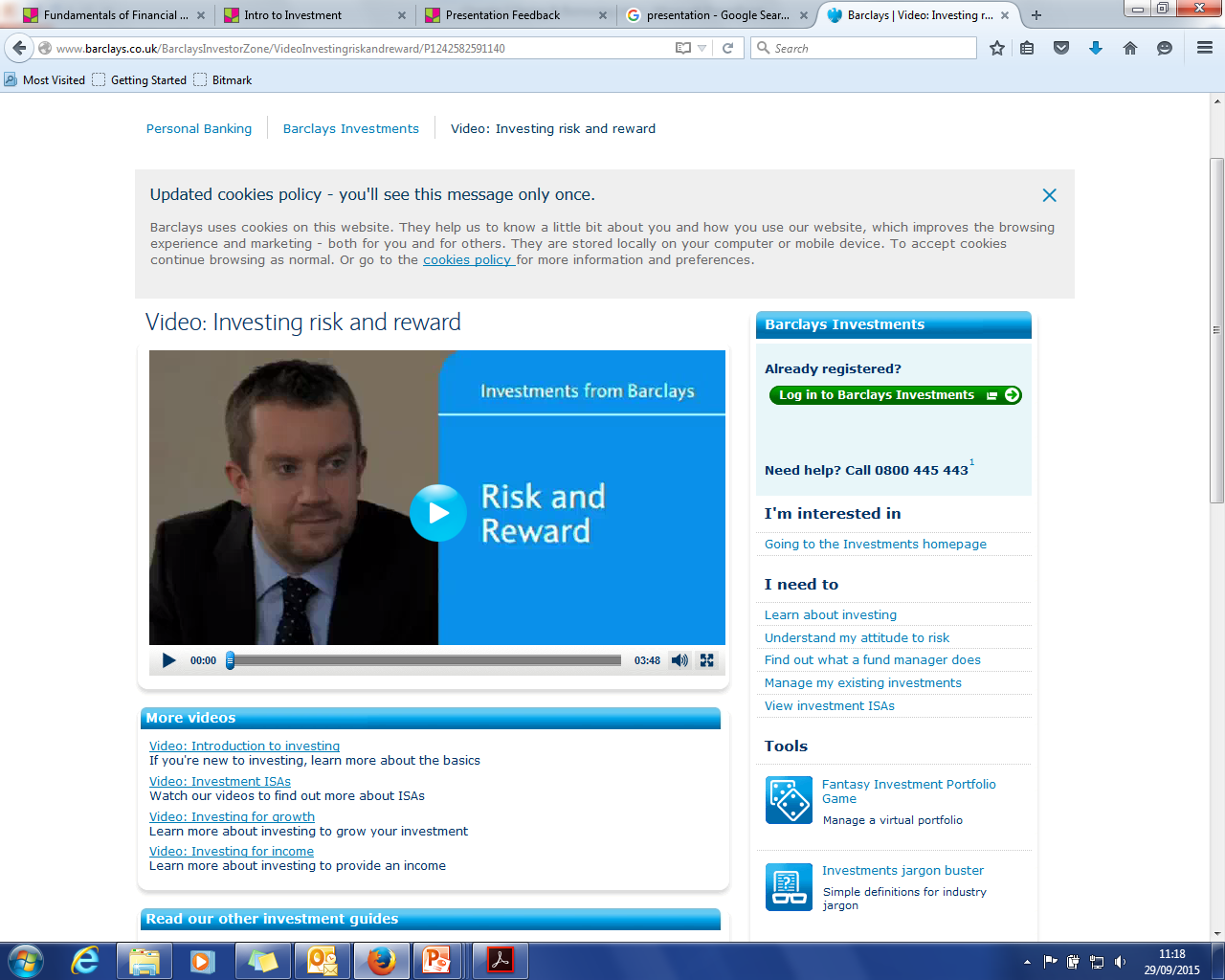
**Activity: Financing Choices**

Complete the following table to compare borrowing against equity to raise finance. Give **reasons** for your choices.

|  |  |
| --- | --- |
| **Consideration** | **Borrowing or Equity?** |
| Which one is more expensive (in terms of annual cash costs)? | Borrowing or Equity:  REASON: |
| Which one is likely to need to be repaid earlier? | Borrowing or Equity:  REASON: |
| Which one is more likely to be available for a start-up company? | Borrowing or Equity:  REASON: |
| Which one is likely to be the more risky for the finance provider? | Borrowing or Equity:  REASON: |
| Which one is likely to be most advantageous to the finance provider? | Borrowing or Equity:  REASON: |

****Thinking point: Why might a business choose to use equity, rather than borrowing to raise finance for projects?

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[](http://www.barclays.co.uk/BarclaysInvestorZone/VideoInvestingriskandreward/P1242582591140)**Activity: Barclays Video on Risk and Reward**

Watch the video clip by Barclays and answer the following questions:

1. Why do individuals choose to invest?
2. What are the factors to consider when planning to invest? Why is it important to consider these factors? Use the mind-map below to document what you hear:
3. What is the balance between risk and reward individuals must weigh up?

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**Activity: Risk and Reward**

Put the following investments in order, from most risky (and potentially rewarding) to the least risky (and safer).

|  |  |
| --- | --- |
| **C:\Users\sbs\AppData\Local\Microsoft\Windows\Temporary Internet Files\Content.IE5\GK011ODF\cash-161863_640[1].pngInvestments** | **Risk Ranking**  **(where 1 is the highest risk and 6 is the lowest risk)** |
| US Government Bonds  https://upload.wikimedia.org/wikipedia/commons/5/58/EE_Savings_Bond.jpg |  |
| Equities issued by a start-up company  Image result for start up business |  |
| Equities issued by a large, well-established company |  |
| Bonds issued by a large, well-established company |  |
| Bank account |  |
| Roulette wheel at a casino  **C:\Users\sbs\AppData\Local\Microsoft\Windows\Temporary Internet Files\Content.IE5\DE6K8BKE\American_roulette_wheel_layout[1].png** |  |

****Thinking Point: What conclusions can you draw about investing in equities compared with investing in bonds? Which is more/less risky and why?

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