

### Answers to Self-Assessment Questions

1. New ventures often have cash flow challenges and so will be obliged to borrow money. A young company will also need money to invest in sites, facilities and equipment and so they will need to generate finance to do this. Furthermore, new ventures need finance to help fund long development cycles.
2. Examples of personal financing include: (a) an entrepreneur using his or her personal funds, (b) bootstrapping, and (c) borrowing from friends, fools and family! Examples of debt financing include: (a) venture capital, (b) initial public offerings, (c) business angels, (d) commercial banks and (e) guaranteed loans.
3. Bootstrapping is the use of creativity, ingenuity, and any means possible to obtain resources other than borrowing money or raising capital from traditional sources. Examples of bootstrapping include: (a) using credit cards, (b) getting a second mortgage (c) cashing in or selling life assurance policies and other personal savings.