

Choosing source of Finance

Cost

Cheapest
Reduces cost & increases profits
Equity - dividends
Debt - interest & principal

Tax Implications

Avail of tax deduction
Reduces tax = good
Interest on loan is t.d.
Divs on shares are not

Security

Collateral
Assets at risk
Debt- necessary
Equity - not necessary

Ownership

Does it reduce ownership?
Shares give voting rights
Loans do not
Important to balance