

Abstract

This diploma thesis deals with the subject of financing of a business. Its general purpose, in accordance with the given diploma project tasks, is to provide its reader with a variety of knowledge on the topic up to the point they can make their own financial decisions.

To fulfill the given task, the first few chapters aim at describing terms essential for the topic, such as a business, a firm, finance and the whole process of financing. It notices the difference between definitions of financing throughout the English speaking world.

As many of the described terms have more than one meaning, usually a meaning given by the economic theory as well as a fairly different legal meaning, both are provided. The scope of the thesis is the Czech legal environment, therefore only Czech legal definitions are given.

Then a short description of possible varieties of the firm is brought – including its size, possible risks and costs.

Afterwards the very basics of accounting are explained – with the respect for the topic. A description of basic rules of thumb concerning equity-debt ratio of a business is given then and the financial leverage is briefly explained.

Afterwards a broader topic of investments is deeply analyzed.

Next few chapters of the thesis deal with the topics, such as time value of money, taxation and business finance, inflation and business finance and risk in business.

The major part of the thesis examines providing a business with funds for its activities.

Throughout this part it describes and analyzes so-called internal and external sources of financing.

As a result of its research it comes to conclusion that the subject-matter is extremely vast and hard to describe in less than many pages.

Nevertheless it is able to provide its reader with basic and essential knowledge which can be described as helpful.