

# 5 Financial documents

Match each word on the left with the correct definition on the right (a-i). Use the grid below.

- |                           |   |
|---------------------------|---|
| 1 profit and loss account | a A plan of cash income and cash spending for a specific period of time.  |
| 2 balance sheet           | b A document which represents a part of the total stock value of a company and which shows who owns it.   |
| 3 cash budget             | c A formal agreement for the exchange of goods or services in return for payment.   |
| 4 share certificate       | d A formal description of income and costs for a time period that has finished.   |
| 5 tender                  | e A formal description of a company's financial position at a specified moment.   |
| 6 business plan           | f A document which states that a named person or company has paid for protection against accidental loss or damage of goods or property.                      |
| 7 insurance certificate   | g A description of the ways a new business hopes to make money, showing possible income and expenditure.  |
| 8 letter of credit        | h A formal letter with an offer to supply goods or services, containing a description of the project, including costs, materials, personnel, time plans, etc. |
| 9 contract                | i An official notification from a bank that it will lend money to a customer.   |

1	2	3	4	5	6	7	8	9
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# 6 Describing trends

There are many ways to describe change. This test looks at several alternatives.

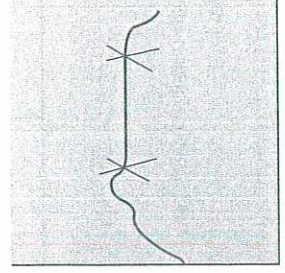
- A** Choose words from the box which are the opposite to each of the following words.

decline   decrease   escalate   expand   ~~fall~~  
 get worse   go down   improve   peak

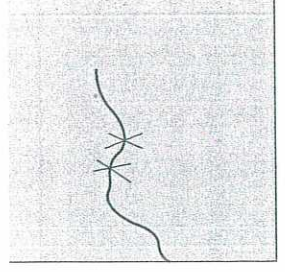
rise/ fall   increase/ \_\_\_\_\_   go up/ \_\_\_\_\_  
 climb/ \_\_\_\_\_   shrink/ \_\_\_\_\_   deteriorate/ \_\_\_\_\_  
 get better/ \_\_\_\_\_   collapse/ \_\_\_\_\_   hit bottom/ \_\_\_\_\_

- B** Match each word or phrase (1-9) to one of the graphs below (a-i). Look at the line between the two crosses.

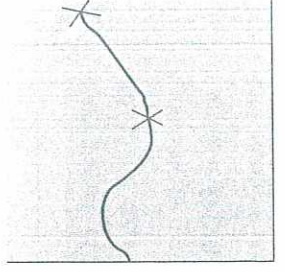
- |                      |                     |
|----------------------|---------------------|
| 1 decline to nothing | 6 recover           |
| 2 collapse           | 7 increase steadily |
| 3 stay the same      | 8 fluctuate         |
| 4 reach a peak       | 9 rise slightly     |
| 5 edge down          |                     |



a



b

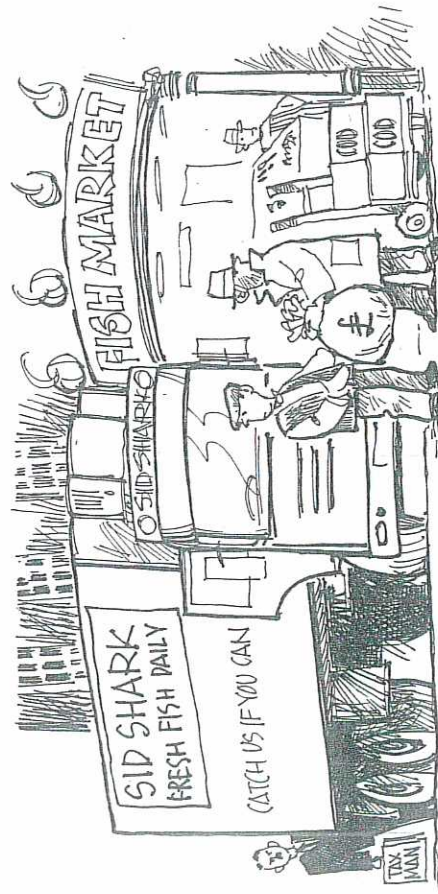


c

# 8 Common abbreviations

What do the following abbreviations mean? Fill in the missing letters.

- VAT Value A d d e d T a x
- PLC Public L \_ \_ \_ \_ \_ C \_ \_ \_ \_ \_
- Ltd L \_ \_ \_ \_ \_
- & Co. \_ \_ \_ \_ \_ y
- CWO C \_ \_ \_ W \_ \_ \_ Order
- COD Cash O \_ D \_ \_ \_ \_ \_
- c.i.f c \_ \_ \_ , i \_ \_ \_ \_ \_ , freight
- PAYE Pay A \_ Y \_ \_ E \_ \_ \_ (i.e. tax)
- p/e ratio P \_ \_ \_ \_ /earnings r \_ \_ \_ \_
- P & L account. P \_ \_ \_ \_ and L \_ \_ \_ \_ account



COD can be a fishy business



COD means cash on delivery, and cod is a common type of fish (its Latin name is *gadus morhua*).

A fishy business means not exactly legal, for example an attempt to avoid

# 9

## Introducing key terms in financial planning

Complete the sentences below with a word from the box.

break-even point    core activity    cost of sales    gross profit margin  
net profit margin    overheads    ~~profitability~~    selling costs  
setting-up costs    turnover

- profitability** shows how a business might make profits. It is calculated from the relationship between profit and the capital invested in the company, and between profit and turnover.
- The \_\_\_\_\_ of a business is the total amount of sales, before costs are deducted.
- The \_\_\_\_\_ of a business is the main product or service which the business provides, e.g. for FIAT it is cars.
- The \_\_\_\_\_ is the profit the business makes before costs are considered.
- The \_\_\_\_\_ are the costs involved in creating a new business.
- The \_\_\_\_\_ are the normal costs of a business, which do not change if production rises. They are also referred to as indirect costs or fixed costs.
- The \_\_\_\_\_ is a calculation of profit after deducting the cost of sales and overheads.
- The \_\_\_\_\_ are all the costs directly associated with producing the products.
- The \_\_\_\_\_ is the amount of sales a company needs to cover all costs.
- The \_\_\_\_\_ are all costs directly concerned with getting customers to buy products and moving them to the customer.



Noun + noun combinations are common in English. The first noun qualifies the second one. Examples are London University, sales costs, cutting hair.

# 16 Key terms in managing company finances

**A** Match the phrases on the left with a word or phrase on the right which means the same.

- |                      |                       |
|----------------------|-----------------------|
| 1 contribution ratio | a turnover            |
| 2 fixed costs        | b gross profit margin |
| 3 variable costs     | c overheads           |
| 4 income from sales  | d direct costs        |
- B** Match the term on the left with an appropriate definition on the right.
- |                           |  |
|---------------------------|--|
| 1 contribution            | a The number or total value of sales necessary to equal all costs.               |
| 2 capital costs           | b An individual cost centre in a company's product range.                        |
| 3 gearing                 | c Net profit available for reinvestment in the company.                          |
| 4 retained profit         | d Sales income less variable costs.  |
| 5 work-in-progress        | e Selling price less variable costs divided by volume of production.             |
| 6 wealth                  | f Cost of buying fixed assets such as buildings, equipment, vehicles.            |
| 7 unit contribution       | g Relationship between the cost of borrowing money and the total equity capital. |
| 8 break-even point        | h Work done which has cost the company but has not yet been sold.                |
| 9 strategic business unit | i Net value of a company (total assets less total liabilities).                  |

1	2	3	4	5	6	7	8	9
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# 17 Setting up a business

Look at the four formulae below and then complete the spaces in the conversation below.

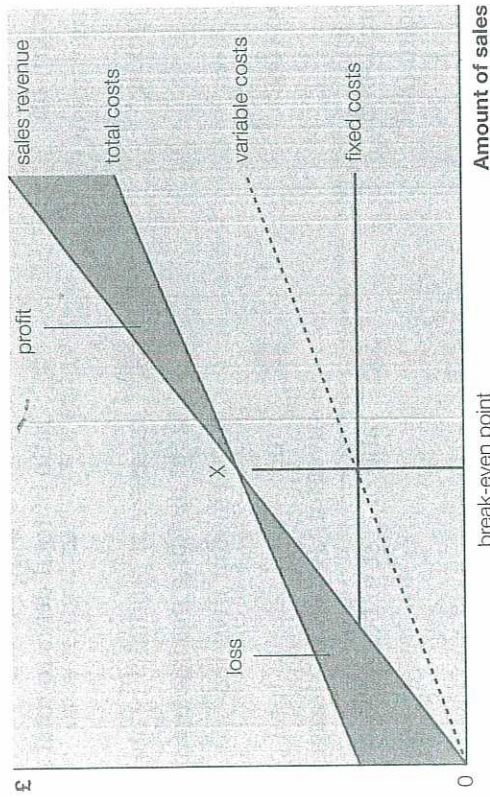
$$\begin{aligned} \text{Contribution} &= \text{sales revenue} - \text{variable costs} \\ \text{Profit} &= \text{Total value of contributions} - \text{total costs; or} \\ \text{Profit} &= \text{Revenue} - (\text{variable costs} + \text{fixed costs}) \\ \text{Break-even volume of production} &= \frac{\text{fixed costs}}{\text{unit contribution}} \end{aligned}$$

- Teacher:** All products sold should make a contribution to the business.
- Student:** What is contribution?
- Teacher:** It is the total selling price of all goods sold by the company, (1) *sales* *revenue*, less (2) \_\_\_\_\_.
- Student:** So, it's like margin.
- Teacher:** Yes, it's the same as the gross profit margin. But, to calculate profit, you have to consider (3) \_\_\_\_\_ costs. In other words, the total value of contributions less (4) \_\_\_\_\_ and (5) \_\_\_\_\_ costs.
- Student:** I see. And when you've made enough contributions, you reach your break-even point.
- Teacher:** Yes, that's right. Then you start to make profit.
- Student:** How do you calculate the break-even point?
- Teacher:** You have to divide the (6) \_\_\_\_\_ or the (7) \_\_\_\_\_ contribution made by a single item that you sell.
- Student:** So if you raise your price, you increase the value of the contributions.
- Teacher:** Yes, but you must not raise your price so much that you

# 21 Working out the break-even point

Look at the diagram below showing the break-even point for a business. Then complete the description below using words from the box.

break-even point    fixed costs    loss    profit  
sales revenue    total costs    variable costs



The horizontal line shows (1) fixed costs. The dotted line which starts at point 0 shows the (2) \_\_\_\_\_ for different levels of sales. The (3) \_\_\_\_\_ are fixed costs and variable costs combined. The solid line starting at point 0 shows the (4) \_\_\_\_\_ at different levels of units sold. Point X is the (5) \_\_\_\_\_. To the left of point X, the business is making a (6) \_\_\_\_\_. To the right, the business is in (7) \_\_\_\_\_.

# 22 If the price is right ...

In an interview with a journalist, Jan Horst, a marketing consultant, speaks about pricing policies. Complete the text of the interview with words or phrases from the box.

competition    cost plus    discount    ~~margin~~    marginal cost  
market price    penetration strategy    skimming strategy

**Journalist:** So, in terms of pricing, what mistakes do small companies often make?

**Horst:** They take the cost of sales, and add to it – inventing a (1) margin. This is a (2) \_\_\_\_\_ approach.

**Journalist:** What's the alternative?

**Horst:** First, fix a price somewhere near or below the competition, the (3) \_\_\_\_\_. This can get you market share, using a so-called (4) \_\_\_\_\_.

**Journalist:** What about (5) \_\_\_\_\_, just a bit above variable costs?

**Horst:** Marginal cost pricing only works if you have a lot of spare stock. It can help with a (6) \_\_\_\_\_ policy.

**Journalist:** And how can pricing help to build up market share?

**Horst:** First, a low price is essential to build up market share in many markets. This is the penetration strategy approach. Or you can have a (7) \_\_\_\_\_, with high margins to help to pay costs quickly. This is often used with hi-tech goods. They start expensive but prices come down quickly once the (8) \_\_\_\_\_ arrives.



# Introducing key terms in banking

Complete the words below to match the given meanings.

- The person to whom a cheque is written.      p a y e e
- Money provided by a bank to a customer, for an agreed purpose.      l \_ \_ \_
- A bank which offers a full range of services to individuals and companies.      c \_ m \_ \_ \_ \_ \_ l b \_ \_ \_
- A type of bank with a strong local or regional identity, mainly used by small, private investors, who get interest on their deposits.      s \_ \_ \_ \_ \_ b \_ \_ \_
- An instruction from one bank to another bank asking it to make a payment to a supplier.      \_ \_ \_ k d \_ \_ \_
- An agreement that an account can remain in debit up to a certain amount for an agreed time period.      o \_ \_ \_ \_ \_
- The time taken from when a cheque is presented to a bank to when the receiving account is credited.      c \_ \_ \_ r \_ \_ \_ e
- Fees charged by a bank for services provided.      \_ \_ n \_ c \_ \_ \_ \_ s
- An instruction from a customer to a bank to make a regular payment to a creditor. Instructions to alter the dates or the payments must come from the customer.      s \_ \_ \_ \_ \_ \_ g o \_ \_ \_ r
- A computer printout sent by a bank to a customer, showing recent activity on his/her account.      s \_ \_ \_ \_ \_ \_ \_ t
- The lowest level of interest that a bank charges for lending money.      b \_ \_ \_ \_ r \_ \_ \_
- Conducting banking services from a computer using the bank's website.      I \_ \_ \_ \_ \_ t b \_ \_ \_ \_ \_



A payee is someone who is paid. A payer pays someone else. A similar contract exists between **supplier** and **customer** and between **franchisee**

# Banking and using money

Complete the sentences below with a word or phrase from the box.

~~bank draft~~    cash point    cheque book    debit card  
direct debit    electronic funds transfer (EFT)    home-banking    night safe  
paying-in slip    PIN number (personal identification number)  
standing order    statement    withdrawal receipt

- If I want my bank to transfer money to another bank I ask for a bank draft.
- A plastic card that I can use to pay for goods in shops that means that money is immediately transferred to the shop's bank is called a \_\_\_\_\_.
- Banks normally send out a \_\_\_\_\_ every month. It is a complete record of all transactions on the named account.
- When someone pays cash or cheques into a bank, they complete a \_\_\_\_\_.
- If you need cash urgently, you can usually get some – even at night – from a \_\_\_\_\_.
- When you use your bank card to get cash, you have to know your \_\_\_\_\_.
- Most people who have a bank account can pay for goods and services by using a \_\_\_\_\_, or if it is a regular payment, they may set up a \_\_\_\_\_.
- A \_\_\_\_\_ is an agreement to pay a creditor a sum of money on a regular basis, where the creditor can alter the dates or amounts of the payment.
- Some banks operate a \_\_\_\_\_ facility where you can deposit cash.
- If you take money from your account you normally get a \_\_\_\_\_.
- The instant movement of money from one account to another using computers and the telephone network is called \_\_\_\_\_.
- Carrying out simple banking operations such as checking your account, making transfers or payments from home, either by phone or using a computer is \_\_\_\_\_.



American Express, VISA and Mastercard are credit cards. You pay at the

# 36 An insurance claim

Antonio Alessandro has sent a claim form to his insurer after a fire at his restaurant. He receives the reply below. Complete the text with appropriate words from the box.

claim	compensation	comprehensive	cover
estimate	indemnity	legal costs	loss adjuster
	no claims bonus	policy	premium

## Bridge Insurance Ltd

124 Kew Gardens Road, London SW2 5HB  
Tel: 0207 433 8211 Fax: 0207 433 5633

Antonio Alessandro  
Ristorante Colosseo  
120 Riverside Road  
London EC23 5TR  
2 March 2002

Dear Mr Alessandro

**Re: Policy number DR 239981 R, Claim Ref. DR4381**

Thank you for your (1) claim relating to the fire at your restaurant. We confirm that your policy is (2) \_\_\_\_\_ and therefore covers fire.

Our (3) \_\_\_\_\_, Peter Carrow, will visit you on 7 March to see the damage.

You will receive (4) \_\_\_\_\_ for all damage to the building and equipment.

You should supply an (5) \_\_\_\_\_ from two firms for the repairs. You will also receive (6) \_\_\_\_\_ for loss of business, though you will have to make a separate claim. In addition, your (7) \_\_\_\_\_ also provides (8) \_\_\_\_\_ for any (9) \_\_\_\_\_ which may arise.

Finally, we would like to inform you that your (10) \_\_\_\_\_ will rise by 10% as your (11) \_\_\_\_\_ will be affected by this incident.

Yours sincerely  
*Janina Piontek*  
Janina Piontek  
Claims Manager

The normal conventions of greetings and farewells in letters are:

Dear Mr/Mrs/Ms Bailey (named addressee) *Yours sincerely*

Dear Sir (unnamed addressee) *Yours faithfully*

# 37 Key terms in investment

**A** Find 10 key words concerned with investments in the word square below.

R	D	P	S	H	A	R	E	S	O
E	I	N	T	E	R	E	S	T	M
T	V	F	R	T	E	G	L	O	G
U	I	N	N	I	L	Z	O	C	R
R	D	F	B	A	C	B	S	K	O
N	E	A	R	N	I	N	G	S	W
I	N	V	E	S	T	M	E	N	T
T	D	N	D	L	X	P	O	T	H
F	E	B	F	U	T	U	R	E	S
P	O	R	T	F	O	L	I	O	R

**B** Match a word in the square to one of the definitions below.

- Spending or using money to make more money in the future
- The total collection of shares, accounts, bonds, trusts, and other financial items that an individual owns
- The profit from investments
- A part ownership in a company represented by a piece of paper (a certificate). The value, or price, may rise or fall
- Shares that will be paid for at a fixed price in the future, or an agreement to buy shares at a fixed price at some time in the future

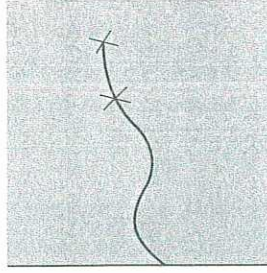
**Internet trading** of stocks and shares has developed strongly in recent years. There are very many websites advising on investments, but many are not very reliable. People may post positive information on a particular

## Describing trends and share movements

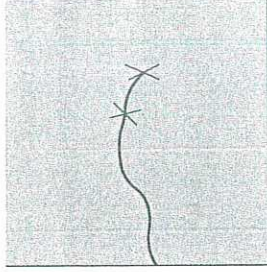
- A** Rewrite the following sentences, beginning with the given words, and replacing the words in italics with a verb phrase.
- 1 There has been a *marked rise* in sales for Axal in recent weeks.  
Axal sales *have risen markedly in recent weeks*
  - 2 Frodo has suffered a *sudden drop* in market share.  
Frodo's market share \_\_\_\_\_
  - 3 Spino showed a *slight fall* in share price last week.  
Spino's share price \_\_\_\_\_
  - 4 There will be a *quick recovery* in the share price.  
The share price will \_\_\_\_\_
  - 5 A *levelling off* of sales for FDT is expected.  
FDT sales \_\_\_\_\_
  - 6 There has been a *considerable decline* in the market.  
The market \_\_\_\_\_
  - 7 There was a *sharp increase* in share prices.  
Share prices \_\_\_\_\_
  - 8 The *severe fluctuation* in share values was because of increasing evidence of a price war.  
Share prices \_\_\_\_\_
  - 9 HD experienced a *rapid rise* in market share in the late 1990s.  
HD's market share \_\_\_\_\_

- B** Match each of the following phrases to an appropriate graph below showing recent share performance. Look at the line between the two crosses.

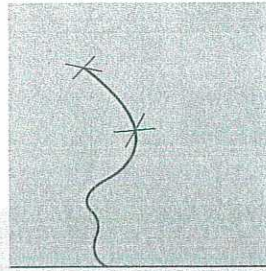
collapsed edged down fell back firmed rallied steadied stepped up



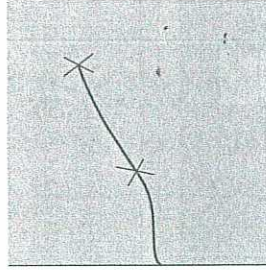
1



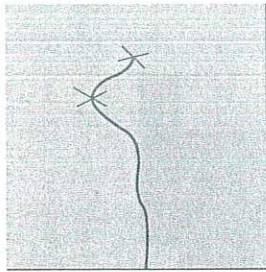
2



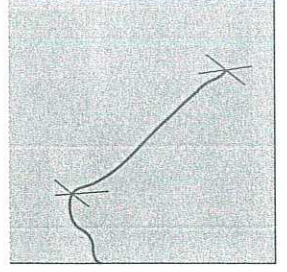
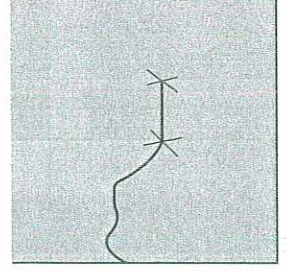
3



4



5





# 40 Stock exchanges

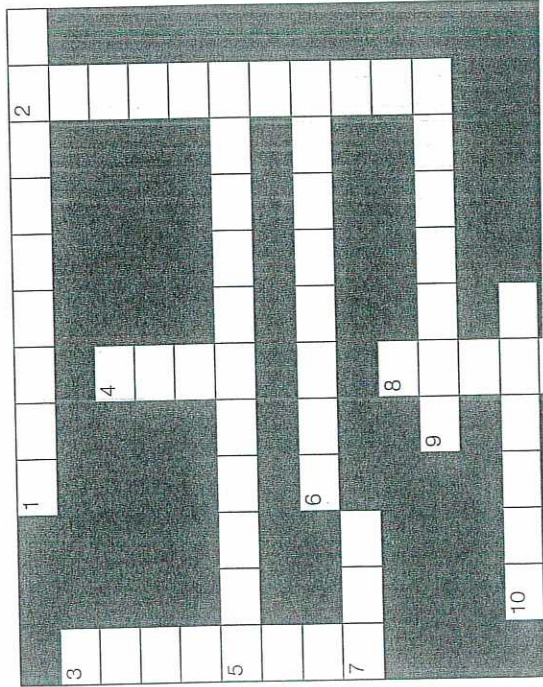
Complete the crossword below.

**Across**

- 1 The city which is the financial capital of Germany. (9)
- 5 Goods like coffee, tea, cocoa, metals and oil that are traded in large quantities. (11)
- 6 The index of share prices in the New York Stock Exchange. (3, 5)
- 7 An acronym for a company that has shares quoted on the UK Stock Exchange. (3)
- 9 A computer measurement of the share performance of 100 leading UK companies. (7)
- 10 A contract to buy shares at a fixed price in the future. (6)
- 11 A part of a company's total capital that can be bought and sold. (5)

**Down**

- 2 A method of raising capital by selling new shares to existing shareholders, usually at a discount. (6, 5)
- 3 A name commonly given to Footsie 100 companies. (4, 4)
- 4 A low risk investment issued by governments (4)
- 8 The place where stocks and shares are traded in Paris. (6)



# 41 Market reports

The words in italics in the following sentences are commonly used to describe share movements. Divide them into three columns: Up, Down, Same.

- 1 Burlesque shares *peaked* at 450p.
- 2 After steady rises, Axam shares *levelled off* at 320p.
- 3 Harrow *ended higher*, up 10p.
- 4 AJL *fell back* 20p.
- 5 Roadman *added* 5p in busy trading.
- 6 Media shares *sank* on news of planned government regulation.
- 7 News Newspaper Group *dipped* 20p to 540.
- 8 By the close of trading, Harnley had *steadied* at 320p.
- 9 Most of the oil sector *improved* in a bullish market.
- 10 Dolman *ended lower* at 320, off 20p.
- 11 Following steady gains, Korman Foods *firmed* at 196p.
- 12 Food companies were generally up, *gaining* on the back of improved retail forecasts.
- 13 *Bearish* output forecasts indicate *sliding* share prices in the coming weeks.

Up	Down	Same
<i>peaked</i>		



**Bears and bulls**

These terms are **stock market** jargon for people who are optimistic about shares (**bulls**) and pessimistic about shares (**bears**). A company's shares, a sector, or the whole market may look **bullish** (rising), or **bearish** (in decline). Investors may buy shares when they are bearish as they think the shares

# 49 Miscellaneous word phrases

The words in this test relate to different aspects of trading and investment in an international business environment. Complete the phrases with an appropriate word from the box below.

black bonus break bridging intangible interim issue  
line loss red reserves retail securities

- The part of an economy which is not declared to the tax authorities is known as the black economy.
- A business that is losing money is running at a \_\_\_\_\_.
- A bank account that is in deficit is in the \_\_\_\_\_.
- Free shares given to long-term shareholders are called \_\_\_\_\_ shares.
- If a business will meet its costs but not make any profit, it will \_\_\_\_\_ even.
- If you want to buy something quickly you can borrow money on your assets by taking out a \_\_\_\_\_ loan. You pay back the loan after you sell some assets.
- The final return on a business deal, indicating whether the deal made a profit or not, is sometimes called the bottom \_\_\_\_\_.
- A measure of prices paid in the shops is the \_\_\_\_\_ price index.
- The payment to shareholders at the half-year point is called the \_\_\_\_\_ dividend.
- The price of shares when a company is first floated on the Stock Exchange is called the \_\_\_\_\_ price.
- Large amounts of foreign currency held by a company, bank or government, as a security against changes in exchange rates, are called foreign currency \_\_\_\_\_.
- Stocks and shares held by governments are called government \_\_\_\_\_.
- Assets which have a value but cannot be seen, e.g. customer goodwill, patents or trade marks, are called \_\_\_\_\_ assets.

# 50

## Deregulating markets

**A** Complete the table with the correct form of the given words.

Verb	Agent	General noun	Adjective
	-	monopoly	
deregulate	competitor		
	-		authorized
	legislator		
		protection	
nationalize	-		
	regulator		
		partnership	-
	trader		traded/trading
	-		subsidized

**B** Use appropriate forms of these words to complete the text.

### BT TO GAIN FROM EU COMPETITION LAWS

British Telecom is going to attack the (1) \_\_\_\_\_ position of its German (2) \_\_\_\_\_ Telekom. BT wants a (3) \_\_\_\_\_ with two German competitors, RWE and Viag. The EU is trying to (4) \_\_\_\_\_ the European telecoms industry.

The EU wants to increase competition and open up (5) \_\_\_\_\_ across frontiers. In France, for example, France Telecom is in a strongly (6) \_\_\_\_\_ domestic market. The company is also (7) \_\_\_\_\_ by the government.

# 53 Key economic terms

Match the words on the left with the correct definition (a–l). Use the grid below.

- |                                       |  |
|---------------------------------------|--|
| 1 central bank                        | a Education and skills development for young people and the unemployed.                |
| 2 exchange rate                       | b The part of the economy that does not make goods, also known as the tertiary sector. |
| 3 inflation                           | c The money a government needs to borrow to pay for what it does.                      |
| 4 interest rates                      | d The value of a currency against other currencies.                                    |
| 5 invisible earnings                  | e The annual cost of borrowing money from a bank.                                      |
| 6 manufacturing industry              | f A measure of retail price increases.   |
| 7 national debt                       | g The principal national banking authority.  |
| 8 public sector borrowing requirement | h The part of the economy that makes products and changes raw materials into products. |
| 9 public spending                     | i The number, or percentage, of people out of work.                                    |
| 10 service sector                     | j Government spending.   |
| 11 training                           | k The total amount of money that a government owes.                                    |
| 12 unemployment rate                  | l Income in foreign currency for services such as banking, insurance, tourism.         |

1	2	3	4	5	6	7	8	9	10	11	12
g											

The European Central Bank is, of course, not a national bank, but the

# 54 Acronyms and abbreviations

Complete what the following stand for.

- IMF International Monetary Fund
- OPEC O \_\_\_\_\_ of Petroleum E \_\_\_\_\_ Countries
- PSBR P \_\_\_\_\_ S \_\_\_\_\_ Borrowing Requirement
- WTO World T \_\_\_\_\_ O \_\_\_\_\_
- EU E \_\_\_\_\_ U \_\_\_\_\_
- GNP Gross N \_\_\_\_\_ P \_\_\_\_\_
- OECD O \_\_\_\_\_ for E \_\_\_\_\_ Co-operation and Development
- ASEAN A \_\_\_\_\_ of South East A \_\_\_\_\_ N \_\_\_\_\_
- IBRD International B \_\_\_\_\_ for Reconstruction and D \_\_\_\_\_
- WWF World W \_\_\_\_\_ Fund
- UN U \_\_\_\_\_ N \_\_\_\_\_
- WHO W \_\_\_\_\_ Health O \_\_\_\_\_
- ECB E \_\_\_\_\_ C \_\_\_\_\_ B \_\_\_\_\_
- NAFTA N \_\_\_\_\_ A \_\_\_\_\_ Free T \_\_\_\_\_ Agreement
- MNCs Multin \_\_\_\_\_ C \_\_\_\_\_ s



Gross Domestic Product (GDP) is based on the total value of all transactions within state borders. It is the sum of all invoiced goods and services. Governments produce such figures from tax returns. **Gross National Product (GNP)** includes transactions from all countries.