

Finance in depth

COMMUNICATION

LEVEL
Upper-intermediate

NUMBER
EN_BE_3711X

LANGUAGE
English

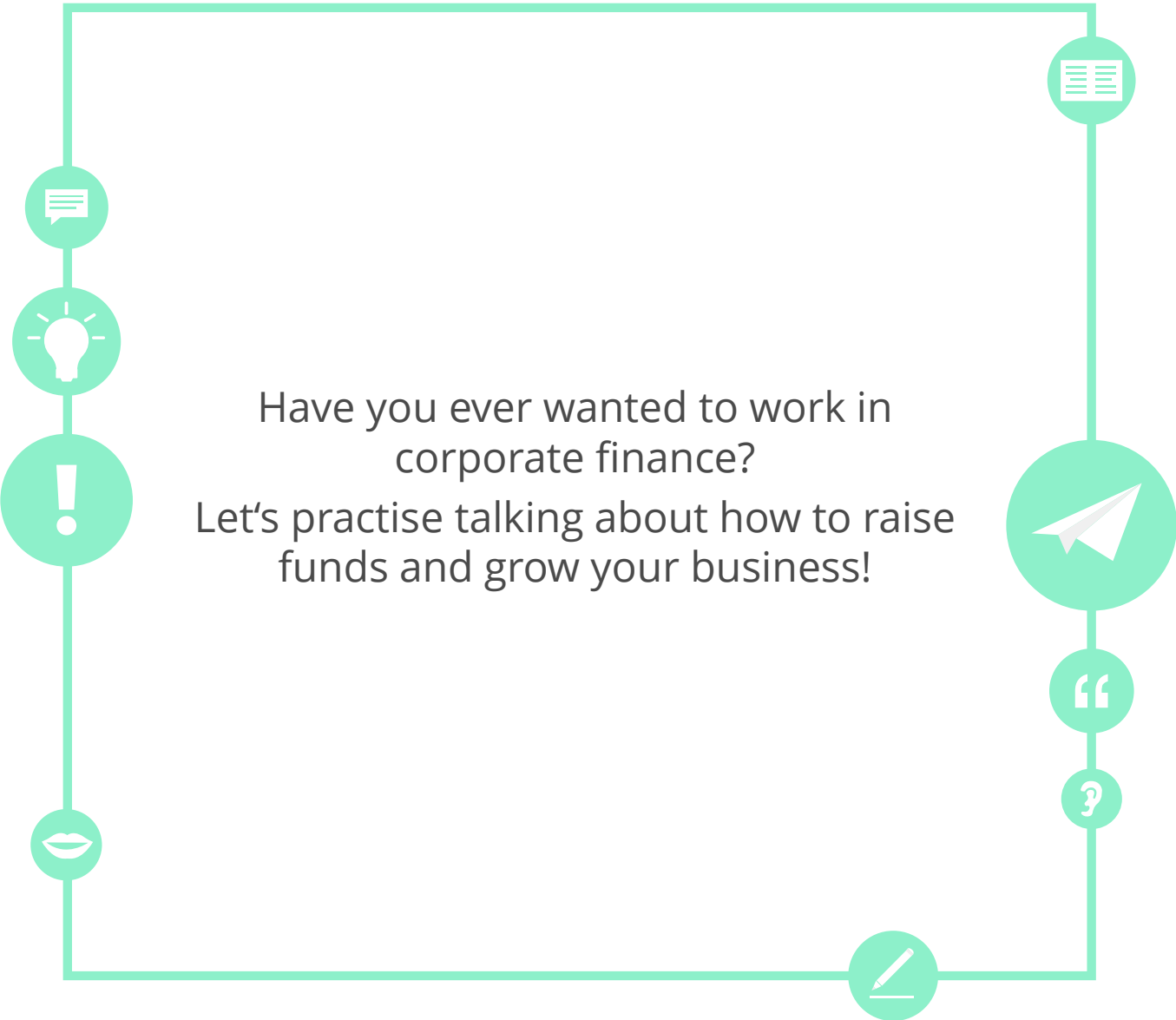




Goals

- Can understand key vocabulary related to stocks, shares and equities
- Can use new terminology and understanding to discuss corporate finance with a colleague





Have you ever wanted to work in
corporate finance?
Let's practise talking about how to raise
funds and grow your business!



Preview and warm-ups

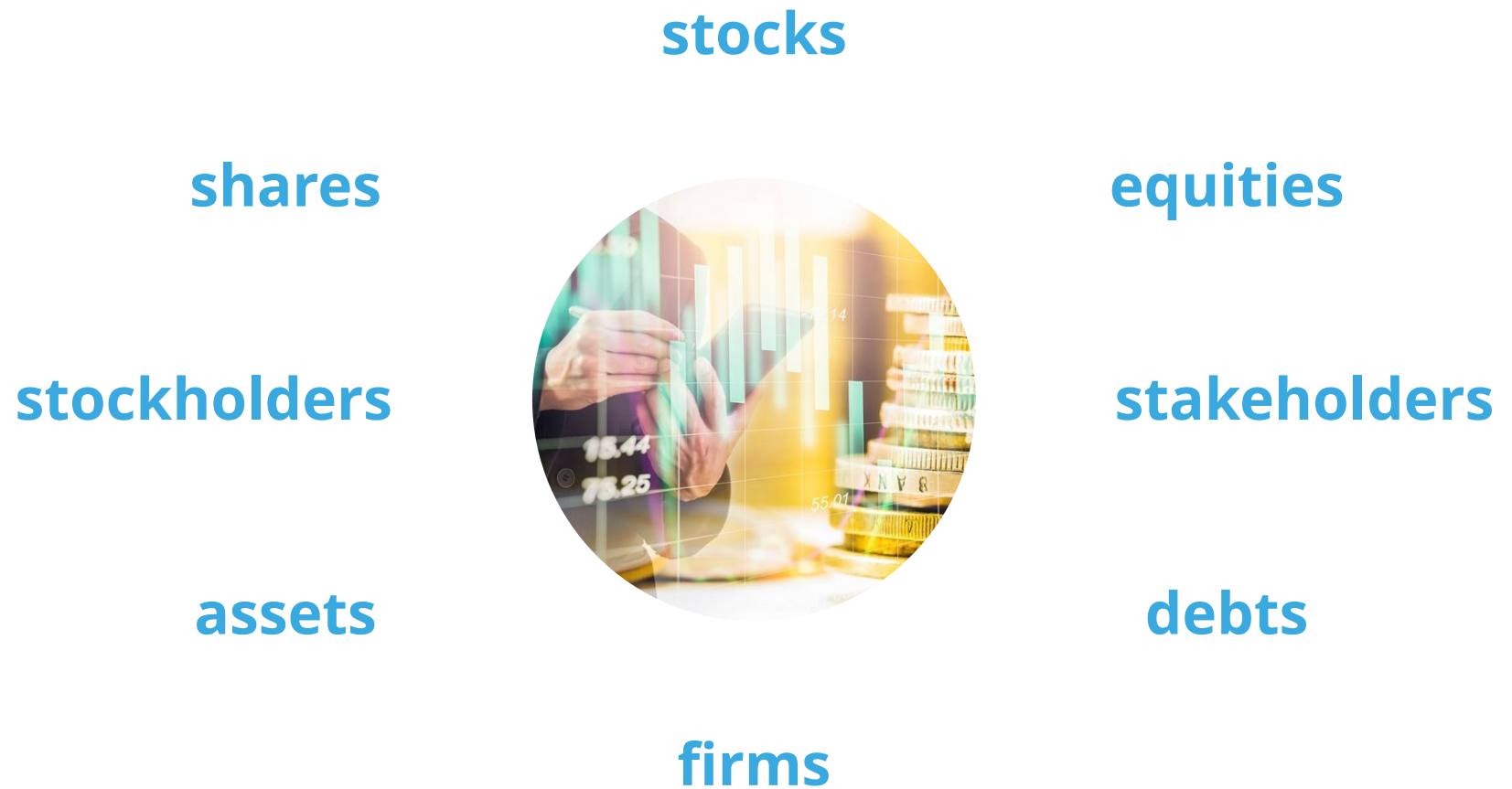
- In this lesson, you will learn about **corporate finance** and the vocabulary associated with it.



It's time to start raising some **capital** on the **stock exchange**.



Finance in depth





Finance in depth



A **firm** is a business owned by one or more people.

A **share** is one part of a company owned by a **shareholder**, which entitles them to a proportion of the company's profit.



Stocks are the capital raised by a company through the sale of shares.

Equities are stocks and shares that carry no fixed interest.





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A **stockholder** is a person who owns shares.

A **debt** is an amount of money that one person or entity owes another.



Stakeholders are people who have an interest or concern in a project or business.

A company's **assets** are the resources owned by the company. This can include houses and vehicles, for example.





What is corporate finance?

With a partner, explain what you already know about corporate finance. Do you agree with the phrase, 'money talks'?



The aim of **corporate finance** is to **raise funds**.

Corporate finance is about **maximising the value** of a company's **assets**.

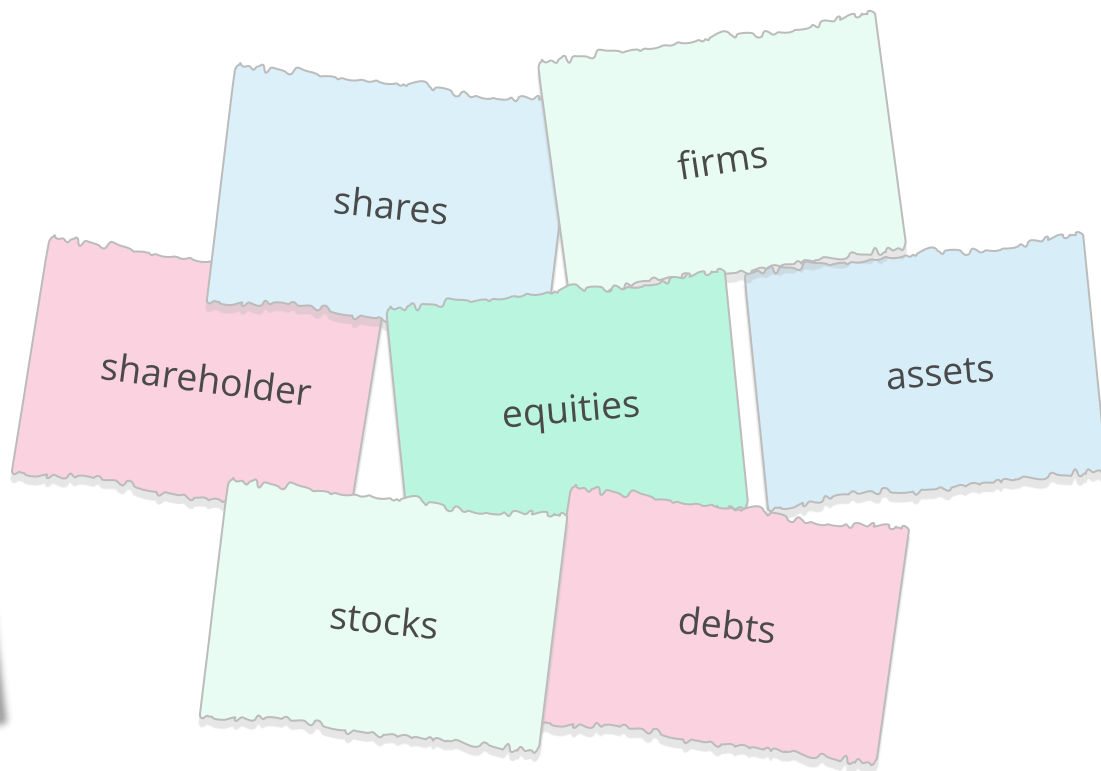


With a partner, practise asking and answering questions using these vocabulary items

What type of shares would you like to own?

What types of firms would you invest in?

What assets do you think are the most likely to hold their value?



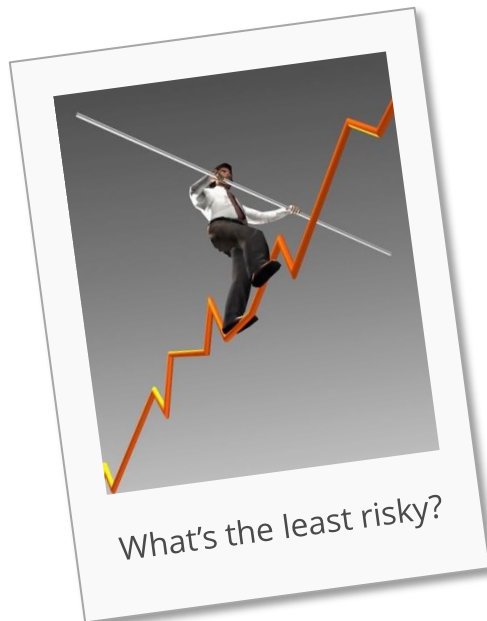


What are the best shares to own?

Based on your previous discussion, what are the advantages and disadvantages of owning shares in the following sectors?

Which are better for short-term profit and which for longer-term investment?

Are there any advantages to investing in Start-ups?



What's the least risky?

1

A new online bank aimed at young people living internationally.

An established bank with a good reputation.

2

An established telecommunications company that was once owned by the government.

3

A new start-up company that is developing technology associated with artificial intelligence.



Have you ever tried to raise finance for a project?

What's the best way for new companies to raise funds to grow their business? Discuss, providing examples to demonstrate your point.

By gaining the interest of speculative investors.

By investing in assets.

By selling shares to raise capital.



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interest rate

Noun: the proportion of a **loan** that is **charged as interest** to a **borrower**.
The high **interest rates** on our mortgage loan repayments are losing us money.

cashflow

Noun: the amount of money that is **available to be transferred** into and out of a business.
They are having **cashflow** problems at the moment so that's why there aren't many products for sale.

dividend

Noun: a sum of money paid regularly to **shareholders** out of the company's profits.
The company increased its **dividends** to shareholders last month.

instalment

Noun: a sum of money that is due in **several payments** over an **agreed period of time**.
I just paid a monthly **instalment** on my car loan, so I have no money at the moment.

mortgage

Noun: A **legal agreement** whereby **the bank lends money** in exchange for the **title of a property**.
We have a huge **mortgage**, so we are thinking of selling up and starting afresh elsewhere.

bankrupt

Adjective: the state of having no money and being **unable to pay one's debts**.
Many companies have gone **bankrupt** in the last few years.



Fill in the gaps

interest rates

repayments

mortgage

debts



cashflow

dividends

loan

asset

Did you read in the paper that _____ have just increased?

Yeah, well, since you mention it. Our _____ on the _____ are really high, and my job isn't that secure at the moment, so things are a little tight.

What's the name of the company? I'm really looking for a way to decrease my _____. Maybe I should buy some shares.

Yeah, but what goes up must come down, as the saying goes. Maybe I just need to find a better job.

No. Are you having _____ problems at the moment?

Well, if you need a short-term _____, just let me know. The _____ on my shares are paying quite well at the moment. That investment has really paid off.

It's an _____ management company called Exmove. It started small, but has experienced really rapid growth over the last few years.



Mortgage role play

Lisa and Lee want to buy an apartment and they have made an appointment with the bank to arrange a mortgage. Role play a conversation between Lisa, Lee and the bank manager. Consider the following questions.

What will their interest rate be?

How much will they pay in monthly repayments?

How long do they have to pay off their mortgage?

Is their apartment likely to increase or decrease in value over time?

Lisa and Lee are a young couple who do not have many assets, but they want to start a family. Lee works part-time as a contractor and Lisa works full-time as a teacher.



As the bank manager, you will want to know what assets and income Lisa and Lee have. Make up some questions to assess how much of a risk the bank faces in giving them a loan.





How about debt?

Discuss the statements below. Do you agree with them? Justify your stance.

Businesses with a good plan shouldn't need large amounts of venture capital.

It's too easy for people to take out credit card loans.

Playing the stock market is a good hobby, but it can also be a dangerous game.

Banks can't be trusted because they make risky investments.



How about debt?



**What are the
main factors that
force businesses
into bankruptcy?**



Avoiding debts

Imagine you are a small vegetable-growing business whose business has suffered recently due to bad weather and prolonged drought. You have some cash flow problems and you are worried about not being able to pay your employees during the winter.

What would you do to avoid going bankrupt?
After you have made some notes, discuss with your classmates.

I would apply for a government subsidy.

I would approach a creditor who offers no interest loans.





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rate of return

Phrase: the **annual income** from an **investment** paid out as a proportion.

These shares offer an excellent **rate of return** and are very stable.

liquidation

Noun: the process of **turning assets** into **cash** when a business has **too many debts**.

The company went into voluntary **liquidation**.

warranty

Noun: a **written guarantee** given by the **seller or manufacturer** of a **product** promising to **repair or replace** an item if necessary during a set period of time.

I bought a new company car that has a replacement **warranty** of up to five years.

debtor creditor

Noun: **debtor**: the person or organisation who **owes** money.

Noun: **creditor**: the person or organisation who has **lent** money.



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collateral

Noun: something that is given as **security** for the **repayment of a loan**. If the loan is not repaid, the **collateral** is **lost** to the **creditor**.

She put the holiday house up as **collateral** for a new car loan.

subsidy

Noun: money **given by governments** to businesses in order to **keep their prices low**.

Without government **subsidies**, the wheat industry in Australia would have quickly collapsed.

to go into administration

A legal term: refers to situations where the management of a company is **taken over by a legally appointed administrator**, usually due to **debts** or **insolvency**.

The company **has gone into financial administration**.

indemnity

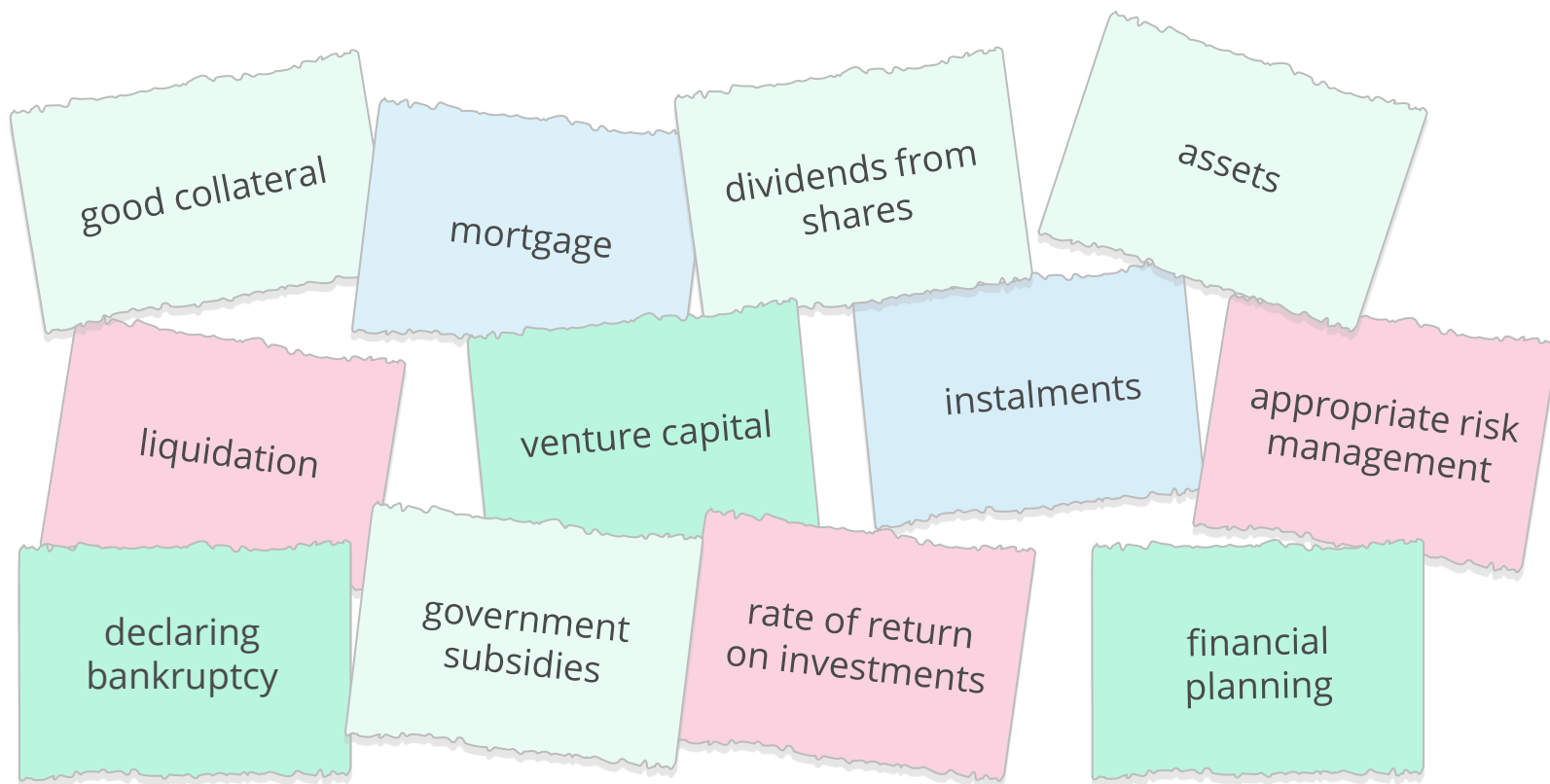
Noun: **security** or **protection** against a **financial loss**.

The company refused to offer an **indemnity** for losses incurred onboard the ship.



What matters most in the world of corporate finance?

Using the vocabulary you have learnt from this lesson, discuss what you think is most important to making good financial decisions. Why do some companies succeed whilst others can't even get the funding they need to get off the ground?





Here are some common strategies used to raise funds. Can you think of any others?

taking out credit

taking out an
overdraft

debt fundraising

equity bank
finance financing

selling venture
shares capital funds

providing collateral in
exchange for a loan

investment in
private markets

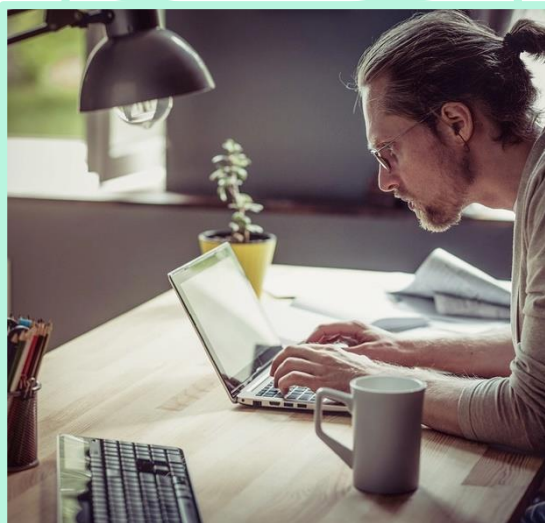
investment in public markets



Expanding business by attracting funds

Imagine you work for one of these companies, which are looking to expand their businesses.

What financing strategies would you recommend to each company?
Think about what strategies would work best based on how much capital you estimate they each might need.



A start-up website providing an easy way for people to find freelance work.

An entrepreneur wanting to develop aeroplanes that travel at the speed of light.

A theatre group performing in seven different languages.

A small engineering company developing electronic car recharge stations.



Making a corporate investment pitch

In pairs, take 5 minutes to prepare an investment pitch by one of the companies on the previous slide to some wealthy investors. The other students will judge whether your pitch is successful.



We have experienced excellent growth and want to expand.

We are using cutting edge technology, which is bound to succeed.



Reflect on the goals

Go back to the second slide of the lesson and check if you have achieved all the goals of the lesson.

yes

no





Reflect on this lesson

Think about everything you have seen in this lesson.
What were the most difficult activities or words? The easiest?



If you have time, go over
the most difficult slides again



Answer key

Slide 13: interest rates; cashflow; repayments; mortgage; loan; dividends; debts, asset





How do you grow a business?

Using new words that you have learnt in this lesson, write a paragraph that succinctly explains how small businesses can gain capital in order to grow their business. Think about the strategies discussed in this lesson.





Writing a venture capital funding proposal

Imagine you work for a small engineering or IT start-up and you are looking for investors to help you grow your project. Write a project proposal that highlights the benefits of your business. Would it convince the investor you need?

Our proposal is based on the latest technology.

We have experienced rapid growth and now just need more capital investment.

This project is based on state of the art technologies.

We estimate that within five years profits will have paid off start-up debts.

This project is competitively placed in the market.

The project uses a collaborative model to bring together the world's best and brightest.

<input type="radio"/>	Have you ever wondered whether
<input type="radio"/>	moon travel will be possible for the
<input type="radio"/>	average person? Well, with our
<input type="radio"/>	technologies it is a real possibility. We
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