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(Organisation Management and Business Administration)

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This manual corresponds to the curriculum of training future specialists in Organisation Management and Business Administration. It embraces the following topics: Management, Company Structure, Types of Company, Recruitment, Banking and Company Finance. It includes authentic texts, exercises, role plays and points for discussion.

Recommended for teachers and students of Economics.

Introduction

In order to communicate effectively in the workplace or to find a job in an international environment people study business English, improve their knowledge of English as well as acquire and develop key skills for the international workplace. This manual will help meet these objectives by offering language material focused on authentic texts, language and skills training exercises and role plays. It consists of 6 independent units that one can adapt to their own needs.

The manual can be used in class or for self-study.

MANAGEMENT

Key Vocabulary

Asset management / Investment management – managing of a company's property so that it is used in a way that makes as much profit as possible.

Cash management – the activity of managing the amounts of cash that are paid to and paid out by a company.

Category management – the process of working together to collect information about what customers want in order to increase sales of a product.

Change management – the process of organizing and introducing new methods of working in a business or another organization.

Complaints management – the process of analysing and dealing with complaints from customers.

Crisis management – the skill or process of dealing with an unusually difficult or dangerous situation.

Database management – the way an organization manages the information held on its customers.

Delegation – giving other people responsibility for work rather than doing it all themselves.

Empowerment – encouraging employees to use their own initiative to take decisions on their own without asking managers first.

Facilities management – the activity of looking after a company's equipment, buildings etc or organizing particular processes.

High-level management / Top-level management / Top management – the person or people in charge of an organization.

HRM / Human Resource Management – the work of employing, training, and helping people who work in an organization.

KM / Knowledge Management – providing employees with the information they need by a company.

Line management – the direct management of workers in a company.

Management – the activity or skill of directing and controlling the work of a company or organization, or part of it.

Management board – a board directly responsible for managing a company.

MBO / Management By Objectives – controlling an activity and measuring performance in relation to particular aims.

MBWA / Management By Walking About / Management By Wandering About (inf.) – the idea that managers can manage in the best way by visiting the places where work or business is done and by talking to employees.

Management Committee – a committee that takes decisions about how a company operates or is run.

Management Consultant – someone who is paid to advise the management of a company on how to improve their organization and working methods.

Management Development – activities to improve the skills of managers in a company, such as training and mentoring (when more experienced managers give help and advice to less experienced ones).

Management guru (inf.) – someone who knows a lot about managing businesses etc, whom people consider to be a leader in their area and whom they go to for advice.

Management training – actions, courses etc to improve the skills of managers in a company.

Manager – someone whose job is to manage all or part of a company or organization, or a particular activity.

MD / Managing director – the person in charge of the daily management of a company. The job is often combined with that of a chairman.

Motivation – eagerness and willingness to do something without needing to be told or forced to do it, the reason why you want to do something.

Participative management – a style of management where employees take part in management decisions.

Portfolio management – the management of a group of different types of investments, paying attention to the risk and profits of each in relation to the rest.

Risk management – managing of the risks related to a company's activity in a way that limits possible financial losses, for example by obtaining the best types of insurance for the risks involved.

TQM / Total quality management – the management of systems in a company in order to make sure that each department is working in the most effective way and to improve the quality of the goods the company produces**.**

Turnaround management / Turnround management (GB) – the process of making a company that is failing more successful, by changing and improving the way it operates.

Warm Up

1. In your opinion, what does the term "management" suggest?
2. Where does the difference between entrepreneurship and management lie?
3. What is the role of management in making an organization a success?
4. What makes a good manager?
5. What do you think – how to approach cultural diversity in management?

Intensive Reading

WHAT IS MANAGEMENT?

Complete the text using these verbs.

analyse	communicate	contribute	divide	form
improve	measure	commercialise	perform	risk

select	train	understand	use	work out

You want me to explain what management is? Well, I guess I can manage that! Actually, management as we (1)………… it today is a fairly recent idea. Most economists in the eighteenth and nineteenth centuries, for example, wrote about factors of production such as land, labour and capital, and about supply and demand, as if these were impersonal and objective economic forces which left no room for human action. An exception was Jean-Baptiste Say, who invented the term "entrepreneur", the person who sees opportunities to (2)………… resources in more productive ways.

Entrepreneurs are people who are alert to so-far undiscovered profit opportunities. They perceive opportunities to (3)………… new technologies and products that will serve the market better than it is currently being served by their competitors. They are happy to (4)………… their own or other people's capital. They are frequently unconventional, innovative people. But entrepreneurship isn't the same as management, and most managers aren't entrepreneurs.

So, what's management? Well, it's essentially a matter of organizing people. Managers, especially senior managers, have to set objectives for their organization, and then (5)………… how to achieve them. This is true of the managers of business enterprises, government departments, educational institutions, and sports teams, although for government services, universities and so on we usually talk about administrators and administration rather than managers and management. Managers (6)………… the activities of the organization and the relations among them. They (7)………… the work into distinct activities and then into individual jobs. They (8)………… people to manage these activities and perform the jobs. And they often need to make the people responsible for performing individual jobs (9)………… effective teams.

Managers have to be good at communication and motivation. They need to (10)………… the organization's objectives to the people responsible for attaining them. They have to motivate their staff to work well, to be productive, and to (11)………… something to the organization. They make decisions about pay and promotion.

Managers also have to (12)………… the performance of their staff, and to ensure that the objectives and performance targets set for the whole organization and for individual employees are reached. Furthermore, they have to (13)………… and develop their staff, so that their performance continues to (14)………… .

Some managers obviously (15)………… these tasks better than others. Most achievements and failures in business are the achievements or failures of individual managers.

MANAGERIAL ROLES IDENTIFIED BY MINTZBERG.

Henry Mintzberg reduced to 10 roles the thousands of specific tasks that managers need to perform as they plan, organize, lead, and control organizational resources. Managers assume each of these roles to influence the behaviour of individuals and groups inside and outside the organization. People inside the organization include other managers and employees. People outside the organization include shareholders, customers, suppliers, the local community in which an organization is located, and any local or government agency that has an interest in the organization and what it does. Mintzberg grouped the 10 roles into three broad categories: *decisional, informational,* and *interpersonal.* Managers often perform many of these roles from minute to minute while engaged in the more general functions of planning, organizing, leading, or controlling. IT is changing how they do so.

Decisional Roles. Decisional roles are closely associated with the methods managers use to plan strategy and utilize resources. IT helps a manager in the role of *entrepreneur* by providing more and better information to use in deciding which projects or programmes to initiate and in investing resources to increase organizational performance. As a *disturbance handler,* IT gives a manager realtime information to manage the unexpected event or crisis that threatens the organization and to implement solutions quickly. As a resource allocator, human resource software systems from companies, such as Peoplesoft and SAP, give managers easy access to the detailed information they need to decide how best to use people and other resources to increase organizational performance. While engaged in that role, the manager must also be a *negotiator,* reaching agreements with other managers or groups claiming the first right to resources, or with the organization and outside groups such as suppliers or customers. The emergence of electronic markets and business-to-business (B2B) networks that link organizations to thousands of suppliers is but one example of the many ways IT helps managers perform the negotiator role.

Informational Roles. Informational roles are closely associated with the tasks necessary to obtain and transmit information and so have obviously been dramatically impacted by IT. Acting as a *disseminator,* IT allows the manager to quickly and effectively transmit information to employees to influence their work attitudes and behavior. Wal-Mart, for example, has nationwide videoconferencing linking top managers to each individual store and uses the Internet to provide up-to-date training programmes to its employees. In a similar way IT provides managers with much greater ability to act as a *spokesperson* and promote the organization so that people inside and outside the organization respond positively to it

Interpersonal roles. Managers assume interpersonal roles to provide direction and supervision for both employees and the organization as a whole. IT can make managers much more visible throughout the organization. As a *figurehead,* the person who symbolizes an organization or a department, a CEO can use the Internet to inform employees and other interested parties, such as shareholders about what the organization’s mission is and what it is seeking to achieve. At all levels managers can use email and the Internet to act as figureheads and role models who establish appropriate ways to behave in the organization. For example anybody in Microsoft is allowed to directly email CEO Bill Gates if they think it necessary. For similar reasons IT allows managers to perform better as leaders because they have more and better quality information available to train, counsel, and mentor subordinates to help them reach their full potential. Finally, as a liaison, IT improves a manager's ability to link and coordinate the activities of people and groups both inside and outside the organization.

Type of Role	Specific Role	Examples of Role Activities
Decisional	Entrepreneur	Commit organizational resources to develop innovative goods and services; decide to expand internationally to obtain new customers for the organization's products.
	Disturbance Handler	Move quickly to take corrective action to deal with unexpected problems facing the organization from the external environment, such as a crisis like an oil spill, or from the internal environment, such as producing faulty goods or services.
	Resource Allocator	Allocate organizational resources among different functions and departments of the organization; set budgets and salaries of middle and first-level managers.
	Negotiator	Work with suppliers, distributors, and labor unions to reach agreements about the quality and price of input, technical, and human resources; work with other organizations to establish agreements to pool resources to work on joint projects.
Interpersonal	Figurehead	Outline future organizational goals to employees at company meetings; open a new corporate headquarters building; state the organization's ethical guidelines and the principles of behavior employees are to follow in their dealings with customers and suppliers.
	Leader	Provide an example for employees to follow; give direct commands and orders to subordinates; make decisions

		concerning the use of human and technical resources; mobilize employee support for specific organizational goals.
	Liaison	Coordinate the work of managers in different departments; establish alliances between different organizations to share resources to produce new goods and services.
Informational	Monitor	Evaluate the performance of managers in different functions and take corrective action to improve their performance; watch for changes occurring in the external and internal environment that may affect the organization in die future.
	Disseminator	Inform employees about changes taking place in the external and internal environment that will affect them and the organization; communicate to employees the organization's vision and purpose.
	Spokesperson	Launch a national advertising campaign to promote new goods and services; give a speech to inform the local community about the organization's future intentions.

TYPES OF MANAGERS

To perform efficiently and effectively, organizations employ three types of managers – first-line managers, middle managers, and top managers – arranged in a hierarchy. Typically, first-line managers report to middle managers, and middle managers report to top managers. Managers at each level have different but related responsibilities for utilizing organizational resources to increase efficiency and effectiveness. These three types of managers are grouped into departments according to their specific job responsibilities. A department such as manufacturing, accounting, or engineering is a group of people who work together and possess similar skills or use the same kind of knowledge, tools, or techniques to perform their jobs. Within each department are all three levels of management. Next we examine the reasons why organizations use a hierarchy of managers and group them into departments. We then examine some recent changes taking place in managerial hierarchies.

Levels of Management.

As just discussed, organizations normally have three levels of management: first-line managers, middle managers, and top managers.

First-Line Managers. At the base of the managerial hierarchy are first-line managers, often called supervisors. They are responsible for the daily supervision of the non-managerial employees who perform many of the specific activities necessary to produce goods and services. First-line managers work in all departments of an organization.

Examples of first-line managers include the supervisor of a work team in the manufacturing department of a car plant, the head nurse in the obstetrics department of a hospital, and the chief mechanic overseeing a crew of mechanics in the service department of a new car dealership. At Dell Computer, first-line managers include the supervisors responsible for controlling the quality of Dell computers, or the level of customer service provided by Dell's telephone, salespeople. When Michael Dell started his company, he personally controlled the computer assembly process and thus performed as a first-line manager or supervisor.

Middle Managers. Supervising the first-line managers are middle managers responsible for finding the best way to organize human and other resources to achieve organizational goals. To increase efficiency, middle managers find ways to help first-line managers and non-managerial employees better utilize resources to reduce manufacturing costs or improve customer service. To increase effectiveness, middle managers evaluate whether the goals that the organization is pursuing are appropriate and suggest to top managers ways in which goals should be changed. Very often, the suggestions that middle managers make to top managers can dramatically increase organizational performance. A major part of the middle manager's job is to develop and fine-tune skills and know-how, such as manufacturing or marketing expertise, that allow the organization to be efficient and effective. Middle managers make the thousands of specific decisions about the production of goods and services: Which first-line supervisors should be chosen for this particular project? Where can we find the highest-quality resources? How should employees be organized to allow them to make the best use of resources?

Behind a first-class sales force look for the middle managers responsible for training, motivating, and rewarding salespeople. Behind a committed staff of high-school teachers look for the principal who energizes them to find ways to obtain the resources they need to do outstanding and innovative jobs in the classroom.

Top Managers. In contrast to middle managers, top managers are responsible for the performance of all departments. They have cross-departmental responsibility. Top managers establish organizational goals, such as which goods and services the company should produce; they decide how the different departments should interact; and they monitor how well middle managers in each department utilize resources to achieve goals. Top managers are ultimately responsible for the success or failure of an organization, and their performance (like that of Bill Pittman) is continually scrutinized by people inside and outside the organization, such as other employees and investors.

The chief executive officer (CEO) is a company’s most important manager to whom all other top managers report. Bill Pittman, for example, reported to Gerald Levin, the CEO of AOL-Time Warner. As the chief operating officer, Bill Pittman was second-in-command. Together the CEO and COO are responsible for developing good working relationships among the top managers of various departments (manufacturing and marketing, for example), usually top managers have the title vice president. A central concern of the CEO is the creation of a smoothly functioning top-management team, a group composed of the CEO, COO, and the department heads most responsible for helping achieve organizational goals.

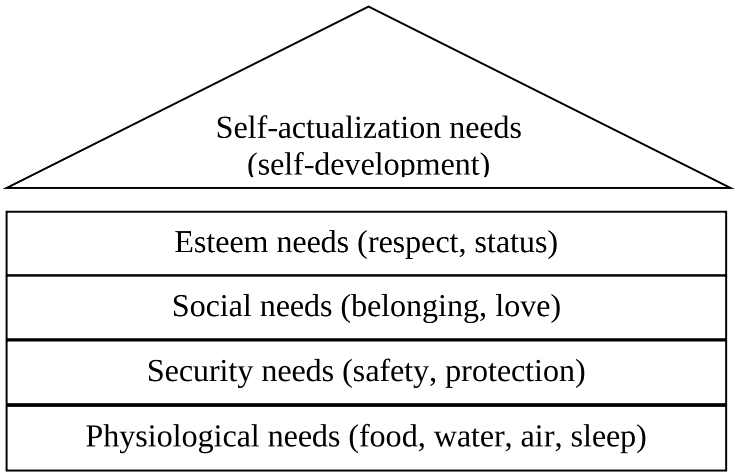
Extensive Reading

THEORIES OF MOTIVATION

Complete the text using the verbs in the box.

achieve	actualize	avoid	earn
exist	expect	maximize	perform
pursue	require	reward	set

One of the most important elements of any manager's job is to motivate his or her subordinates to do their jobs well and to be productive. Two very well-known theories of motivation among managers are those of Abraham Maslow and Frederick Herzberg.



In *Motivation and Personality* (1954), Maslow identified what he considered to be a hierarchy of basic human needs and classified them under five headings. First come physiological needs such as food, water, air and sleep. If these needs are not satisfied, people will not (1)………… other needs.

The second category is security needs: clothing, shelter, the necessity to be free from danger and physical pain, and – most relevant to management – to be free from the threat of losing one’s job.

Where these first two categories of needs are satisfied, people feel social needs: to belong to a group, to be liked and loved and accepted by others. Next come esteem needs: people do not only want to be accepted, they want to have self-respect and to be esteemed by others. Maslow believes that people all (2)………… power and status, respect and self-confidence.

The fifth and highest category concerns self-actualization needs: the desire to develop as a person, to (3)………… one’s potential, and to (4)………… the goals one has (5)………… for oneself.

According to Maslow, employees will only be motivated if they are able to realize their goals (concerning creativity, responsibility or whatever) through their work.

As a need is satisfied, it becomes less important. For example, the more money one has, the less motivating it is to (6)………… more – although of course this doesn’t stop people wanting it! In fact, pay becomes a social or psychological matter rather than an economic one. When needs are satisfied, their capacity to (7)………… and to act as an incentive diminishes. In *Work and the Nature of Man* (1966), Frederick Herzberg argued that things like good salaries and fringe benefits, job security, status, good company administration and labour relations, cannot motivate workers. They are merely “satisfiers” or, more importantly, “dissatisfiers” where they do not (8)………… “Motivators”, on the contrary, include things such as having a challenging or interesting job, recognition, responsibility, promotion, and so on.

Clearly, not everybody in manufacturing industry or routine service industry jobs can (9)………… challenging and interesting work or promotion to the highest positions of responsibility. For this reason, many people have disputed Maslow’s theory. For example, self-realization and self-actualizing needs are probably far more prominent among university graduates and at higher levels of a company than at lower levels, where social and security needs, and even a desire to (10)………… responsibility, might be dominant. Not everybody can (11)………… himself or herself at work. Yet even workers who cannot be, or do not want to be, involved in planning, decision-making, controlling and organizing, can be given a variety of tasks, rather than be expected to (12)………… the same boring, repetitive, mechanical task eight hours a day or more.

THE CARING COMPANY

A strong "corporate culture" is said to help firms succeed. Does it?

The greeter at a Wal-Mart store might be surprised to know he is living proof of one of the oldest saws of management theory. Instilled by the late Sam Walton, Wal-Mart's deeply ingrained corporate culture of frugality, hard work, service to customers and paternalism towards employees has contributed as much to its success as its slick distribution system and "everyday low prices".

Management thinkers have long associated a strong corporate culture – beliefs, goals and values that guide the behaviour of a firm's employees – with superior long-term performance. The theory is that strong cultures can help workers march to the same drummer; create high levels of employee loyalty and motivation; and provide the company with structure and controls, without die need for an innovation-stifling bureaucracy.

In a new book, John Kotter and James Heskett, both professors at Harvard Business School, report on their four-year study to examine the link between corporate culture and economic performance. To do this, the authors calculated (from survey responses) "culture-strength indices" for over 200 big American firms. Companies such as Wal-Mart, J.P. Morgan and Procter & Gamble scored highest; bankrupt, but still operating, American airlines scored among the worst.

Messrs Kotter and Heskett then tried to correlate the strength of the firms' cultures with their economic performance over an 11-year period. Their analysis did show a positive correlation between strong cultures and long-term economic success, but it was a weaker association than most management theorists would have expected. Strong-cultured firms seemed almost as likely to perform poorly as their weak-cultured rivals. The popular view that a strong corporate culture invariably leads to success, they concluded, was “just plain wrong”.

Perhaps they should not have found this so startling. Strong cultures, even those which once made a company successful, can also be an obstacle to change – just ask the top managers at IBM. Too strong a culture can lead to corporate arrogance and insularity. America’s General Motors and Britain's BP are two notorious examples. At its worst, a strong but misdirected culture can lead all of a firm's employees to run, hand in hand, in the wrong direction. So what makes a corporate culture a competitive weapon, rather than a liability?

To find out, the researchers dug deeper. Two smaller groups of strong-cultured companies were selected for closer study. The first comprised high-performing firms whose net profits had, on average, increased by three times as much over an 11-year period as those in the second group. A group of 75 investment analysts, who between them had followed the 22 companies in the two groups, were then asked whether corporate culture had had any impact on each firm’s performance. Overwhelmingly and surprisingly, since culture is the sort of “soft” information that analysts are thought to ignore – they said that a strong culture had helped the high performers. They were equally convinced, however, that the low performers had been hindered by their cultures.

What is it about the cultures of the high-performing companies that make them successful? The author’s theory is that firms whose cultures seem consistently to produce long-term economic success share one fundamental characteristic: their managers do not let the short-term interests of shareholders override all else, but care equally about all of the company’s stakeholders.

Over the long-term, mind you, the authors believe that these interests converge “Only when managers care about the legitimate interests of shareholders do they strive to perform well economically over time, and in a competitive industry that is only possible when they take care of their customers and in a competitive labour market that is only possible when they take care of those who serve customers employees.” That sort of thinking seemed to go out of fashion in America in the takeover and debt-crazed 1980s, when many firms paid so much attention to the short-term interests of then shareholders that customers or employees often seemed to have been forgotten.

To test their idea, Messrs Kotter and Heskett asked the investment analysts to rate a larger number of firms by how much each valued customers, shareholders and employees. Managers and employees at the companies were also interviewed; their views closely matched those of the analysts. On these 12 firms were identified whose cultures stressed all of the three big corporate constituencies – customers, employees and shareholders. A further 20 were identified which did precisely the opposite (whose managers, according to the analysts, cared mostly about “themselves”).

Over the 11-year period, Messrs Kotter and Keskett found that the 12 firms in the first group increased their revenues, on average, by four times as much as the 20 companies in the second group; their workforces expanded by eight times as much, and their share prices increased by 12 times as much (by 901%, against 74% for the second group). Perhaps most impressively however, the net profits of firms in the first group soared by an average of 756% during the period, compared with an average increase of just 1% for companies in the second group.

EXERCISES:

Ex. 1. Complete the text using the correct form of these verbs.

achieve	allocate	balance	deal with	develop
employ	establish	follow	require	set

The top managers of a company (1) have to ………… objectives and then develop particular strategies that will enable the company to (2)………… them. This will involve (3)………… the company's human, capital and physical resources. Strategies can often be sub-divided into tactics – the precise methods in which the resources attached to a strategy are (4)………… .

The founders of a business usually establish a "mission statement" – a declaration about what the business is and what it will be in the future. The business's central values and objectives will (5)………… from this. But because the business environment is always changing, companies will occasionally have to modify or change their objectives. It is part of top management's role to (6)………… today's objectives and needs against those of the future, and to take responsibility for innovation, without which any organization can only expect a limited life. Top managers are also expected to set standards, and to (7)………… human resources, especially future top managers.

They also have to manage a business's social responsibilities and its impact on the environment. They have to (8)………… and maintain good relations with customers, major suppliers, bankers, government agencies, and so on. The top management, of course, is also on permanent stand-by to (9)………… major crises.

Between them, these tasks (10)………… many different skills which are almost never found in one person, so top management is work for a team. A team, of course, is not the same as a committee: it needs a clear leader, in this case the chairman or managing director.

Ex. 2. Divide the following styles of behaviour into pairs of opposites:

- being group oriented
- being cautious and careful
- being decisive and able to take rapid individual decisions
- being individualistic
- being assertive, authoritative, ruthless and competitive
- being happy to take risks
- being good at listening and sensitive to other people's feelings
- being intuitive
- being logical, rational and analytic
- liking consensus and conciliation

Which five of the above styles do you think are generally preferable for managers?

Ex. 3. Now look at the following list of qualities. Which are the most important for a manager?

- being competent and efficient in one's job
- being friendly and sociable
- being a hard worker
- being persuasive
- having good ideas
- being good at communicating
- being good at motivating people
- being good at taking the initiative and leading other people

Make a list of the five most important qualities from Ex. 2 and Ex. 3.

Which of these qualities do you think you have? Which do you lack? Which could you still learn? Which do you have to be born with?

Do any of these qualities seem to you to be essentially masculine or feminine?

Ex. 4. Which is the odd one out in the following lists of verbs?

1) appoint, engage, employ, hire, interview, recruit, select, take on;
2) dismiss, fire, lay off, make redundant, sack, transfer;
3) achieve, attain, reach, meet, set;
4) appraise, assess, evaluate, instruct, measure.

Ex. 5. What are the nouns related to the following adjectives?

1) analytic	………………………	7) intuitive	………………………
2) assertive	………………………	8) logical	………………………
3) cautious	………………………	9) persuasive	………………………
4) competent	………………………	10) rational	………………………
5) efficient	………………………	11) ruthless	………………………
6) individualistic	………………………	12) sensitive	………………………

Ex. 6. Match the nouns in the box with as many as possible of the verbs below to make common verb-noun collocations. Many of the nouns can follow more than one of the verbs.

proposals	resources	responsibilities
sales	staff	subordinates
targets	tasks	a profit
contracts	decisions	jobs
objectives	people	performance
results	competitors	markets

1) allocate	....	8) measure	....
2) analyse	....	9) motivate	....
3) communicate	....	10) negotiate	....
4) delegate	....	11) perform	....
5) develop	....	12) set	....
6) forecast	....	13) supervise	....
7) make	....	14) train	....

Ex. 7. Which words do the following sentences define?

1. To inspire, to induce, to give a reason or incentive to someone to do something.

a) motivate; b) promote; c) provoke.

2. A person employed by someone else, working for money.

a) earner; b) employee; c) employer.

3. Relations between employers and employees, managers and workers, management and unions.

a) human relations; b) labour relations; c) labour unions.

4. Having control of something as part of your job.

a) command; b) power; c) responsibility.

5. Money paid (per hour or day or week) to manual workers.

a) earnings; b) salary; c) wages.

6. A fixed regular payment made by employers, usually monthly, for professional or office work.

a) earnings; b) salary; c) wages.

7. Advantages that come with a job, apart from wages or salary.

a) benefits; b) profits; c) supplements.

8. To be raised to a higher rank or better job.

a) motivation; b) promotion; c) sales promotion.

9. Knowing that there is little risk of losing one's job.

a) bureaucracy; b) job safety; c) job security.

10. Having particular abilities, acquired by training.

a) educated; b) skilled; c) talented.

Ex. 8. Read the text and complete the following sentences using your own words as much as possible.

A. Theory X and Theory Y.

In *The Human Side of Enterprise,* Douglas McGregor outlined two opposing theories of work and motivation. What he calls Theory X is the traditional approach to workers and working which assumes that people are lazy and dislike work, and that they have to be both threatened (for example, with losing their job) and rewarded. It assumes that most people are incapable of taking responsibility for themselves and have to be looked after. Theory Y, on the contrary, assumes that people have a psychological need to work and want achievement and responsibility.

Later theorists argued that Theory Y makes much greater demands on both workers and managers than McGregor realized. Abraham Maslow, for example, spent a year studying a Californian company that used Theory Y, and concluded that its demands for responsibility and achievement are excessive for many people. He pointed out that there are always weak and vulnerable people, with little self-discipline, who need protection against the burden of responsibility. Even strong and healthy people need the security of order and direction. Managers cannot simply substitute Theory Y for Theory X. They have to replace the security provided by Theory X with a different structure of security and certainty.

1. According to Theory X, employers have to threaten workers because …………
2. According to Theory Y, employers should give their workers responsibilities because …………
3. Maslow criticized Theory Y because …………
4. Maslow argued that even though they might want to be given responsibilities at work …………

B. “Satisfiers” and “Motivators”.

It is logical to suppose that things like good labour relations, good working conditions, good wages and benefits, and job security motivate workers. But in *Work and the Nature of Man,* Frederick Herzberg argued that such conditions do not *motivate* workers. They are merely “satisfiers” or, more importantly, “dissatisfiers” where they do not exist. “Motivators”, on the contrary, include things such as having a challenging and interesting job, recognition and responsibility, promotion, and so on.

However, even with the development of computers and robotics, there are and always will be plenty of boring, mindless, repetitive and mechanical jobs in all three sectors of the economy, and lots of unskilled people who have to do them.

So how *do* managers motivate people in such jobs? One solution is to give them some responsibilities, not as individuals but as part of a team. For example, some supermarkets combine office staff, the people who fill the shelves, and the people who work on the checkout tills into a team and let them decide what product lines to stock, how to display them, and so on. Other employers ensure that people in repetitive jobs change them every couple of hours, as doing four different repetitive jobs a day is better than doing only one. Many people now talk about the importance of a company's shared values or corporate culture, with which all the staff can identify: for example, being the best hotel chain, or hamburger restaurant chain, or airline, or making the best, the safest, the most user-friendly, the most ecological or the most reliable products in a particular field. Such values are more likely to motivate workers than financial targets, which ultimately only concern a few people. Unfortunately, there is only a limited number of such goals to go round, and by definition, not all the competing companies in an industry can seriously claim to be the best.

1. Herzberg suggested that good labour relations and working conditions …………
2. According to Herzberg, the kind of things that motivate …………
3. The problem with saying that only challenging, interesting and responsible jobs are motivating is that …………
4. Ways of motivating people in unskilled jobs include …………
5. The problem with trying to motivate workers by the belief that their

company is the best is that …………

Discussion

Work and Motivation

One of the most important functions of a manager is to motivate the employees under his or her authority. But how? What kind of things motivate you? Which of the following factors have been or will be important for you in your choice of a job?

Classify them in order of importance.

- good administration and good labour relations
- good working conditions: enough space, light, heat and time, not too much noise, and so on
- an adequate wage or salary, and benefits such as paid holidays, sick pay, a pension, and so on
- job security
- a challenging, interesting and creative job
- responsibility
- contact with people
- opportunities to travel
- holidays

Are there any other important factors that are not listed here?

Cultural attitudes

A. Multinational companies can either attempt to use similar management methods in all their foreign subsidiaries, or adapt their methods to the local culture in each country or continent. Which procedure do you think is the most efficient?

Do you think the culture of your country is similar enough to those of neighbouring countries to have the same management techniques? Or are there countries nearby where people have very different attitudes to work, hierarchy, organization, and so on?

B. A Dutch researcher, Fons Trompenaars, and his associates, have asked nearly 15,000 business people in over 50 countries a number of questions which reveal differing cultural beliefs and attitudes to work. Here are five of them, adapted from *Riding the Waves of Culture: Understanding Cultural Diversity in Business.* They concern ways of working, individuals and groups, rules and personal friendships, and so on. What are your answers to the questions?

1. If you had to choose, would you say that a company is (a) a system designed to perform functions and tasks in an efficient way, using machines and people, or (b) a group of people whose functioning depends on social relations and the way people work together?

2. What is the main reason for having an organizational structure in a company? (a) So that everyone knows who has authority over whom, or (b) so that everyone knows how functions are allocated and coordinated?

3. Will (a) the quality of an individual's life improve if he or she has as much freedom as possible and the maximum opportunity to develop personally, or (b) the quality of life for everyone improve if individuals are continuously taking care of their fellow human beings, even if this limits individual freedom and development?

4. A defect is discovered in a production facility. It was caused by negligence by one of the members of a team. Would you say that (a) the person causing the defect by negligence is the one responsible, or (b) because he or she is working in a team the responsibility should be carried by the whole group?

5. Imagine that you are a passenger in a car driven by a close friend who hits and quite seriously injures a pedestrian while driving at least 25 kilometres an hour too fast in town. There are no other witnesses. Your friend's lawyer says that it will help him a lot if you testify that he was driving within the speed limit. Should your friend expect you to do this?

Company Structure

Key Vocabulary

Authority — the power that a person or organization has because of their official or legal position.

Board of Directors / Board — the group of people who have been elected to manage a company by those holding shares in the company.

Chairperson (GB) / President (US) — the person who is in charge of a large company or organization, especially the most senior of its board.

Chief Financial Officer (CFO) — the finance manager with the most authority in a company.

Chief Information Officer (CIO) — a manager who is responsible for giving information to people inside or outside a company.

Creative director — someone in a company whose job is to manage the advertising and selling of a product or range of products.

Department — one of the parts of a large organization such as a company where people do a particular kind of work.

Deputy Chairman / Vice Chairman — someone who is directly below a chairman in rank.

Division — one of the large parts into which a large organization or company is divided.

Employees / personnel / staff / workers / workforce — people who carry out the work of a company.

Executive — someone who has an important job as a manager in a company or business.

Financial / sales / personnel / PR etc director / officer or senior manager — someone who is in charge of a particular department of an organization.

Headquarters / head office — the main building of an organization.

Hierarchy — an organization or structure in which the staff are organized in levels and the people at one level have authority over those below them.

Management (senior, middle, junior) — people who organize and lead others.

Managing Director (GB) / Chief Executive Officer (CEO) (US) — the person in charge of the daily management of a company.

Organization chart — a drawing of lines connected together, showing the structure of an organization, what each part does, and how it is related to others within the same organization and outside organizations.

Shareholders / Stockholders — people who own shares in a company, they provide the capital.

Subordinate — someone who has a lower position and less authority than someone else in an organization.

Superior / immediate boss — someone with a higher position or rank than another person, especially in a job.

Supervisor — someone who is in charge of a group of workers or a particular area of work.

Warm-up

1. Are all companies organised in the same way?
2. What do you think company structures depend on?
3. What kinds of company structures do you know?
4. What are the main departments of a typical company? What are their functions?

Intensive Reading

Company Structure

Most organizations have a hierarchical or pyramidal structure, with one person or a group of people at the top, and an increasing number of people below them at each successive level. There is a clear line or chain of command running down the pyramid. All the people in the organisation know what decisions they are able to make, who their superior (or boss) is (to whom they report), and who their immediate subordinates are (to whom they can give instructions).

Some people in an organisation have colleagues who help them: for example, there might be an Assistant to the Marketing Manager. This is known as a staff position: its holder has no line authority, and is not integrated into the chain of command, unlike, for example, the Assistant Marketing Manager, who is number two in the marketing department.

Yet the activities of most companies are too complicated to be organized in a single hierarchy. Shortly before the First World War, the French industrialist Henry Fayol organised his coal-mining business according to the functions that it had to carry out. He is generally credited with inventing functional organisation. Today, most large manufacturing organisations have a functional structure, including (among others) production, finance, marketing, sales, and personnel or staff departments. This means, for example, that the production and marketing departments cannot take financial decisions without consulting the finance department.

Functional organisation is efficient, but there are two standard criticisms. Firstly, people are usually more concerned with the success of their department than that of the company, so there are permanent battles between, for example, finance and marketing, or marketing and production, which have incompatible goals. Secondly, separating functions is unlikely to encourage innovation.

Yet for a large organisation manufacturing a range of products, having a single production department is generally inefficient. Consequently, most large companies are decentralised, following the model of Alfred Sloan, who divided General Motors into separate operating divisions in 1920. Each division had its own engineering, production and sales departments, made a different category of car (but with some overlap, to encourage internal competition), and was expected to make a profit.

Businesses that cannot be divided into autonomous divisions with their own markets can *simulate* decentralisation, setting up divisions that deal with each other using internally determined transfer prices. Many banks, for example, have established commercial, corporate, private banking, international and investment divisions.

An inherent problem of hierarchies is that people at lower levels are unable to make important decisions, but have to pass on responsibility to their boss. One solution to this is matrix management, in which people report to more than one superior. For example, a product manager with an idea might be able to deal directly with managers responsible for a certain market segment and for a geographical region, as well as the managers responsible for the traditional functions of finance, sales and production. This is one way of keeping authority at lower levels, but it is not necessarily a very efficient one. Thomas Peters and Robert Waterman, in their well-known book *In Search of Excellence,* insist on the necessity of pushing authority and autonomy down the line, but they argue that one element – probably the product – must have priority; four-dimensional matrices are far too complex.

A further possibility is to have wholly autonomous, temporary groups or teams that are responsible for an entire project, and are split up as soon as it is successfully completed. Teams are often not very good for decision-making, and they run the risk of relational problems, unless they are small and have a lot of self-discipline. In fact they still require a definite leader, on whom their success probably depends.

Comprehension

Answer the following questions.

1. What are the four company structures described in the text above?
2. What are the main features of a line structure?
3. Why is a staff structure called this way?

4. Who invented a functional organisation? When and why?
5. What are pros and cons of a matrix structure?

Extensive Reading

A Matter of Choice

That reliable workhorse of capitalism – the joint stock company – looks surprisingly durable. But pressure on it is increasing.

In 1967 John Kenneth Galbraith's *The New Industrial State* argued that the USA was run by a handful of big companies who planned the economy in the name of stability.

These were hierarchical and bureaucratic organisations making long runs of standardised products. They introduced "new and improved" varieties with predictable regularity; they provided their workers with lifetime employment and they enjoyed fairly good industrial relations with the giant trade unions.

That world is now dead. The US's giant corporations have either disappeared or been transformed by global competition. Most have shifted their production systems from high-volume to high-value, from standardised to customised. And they have flattened their management hierarchies. Few people these days expect to spend their lives moving up the ladder of a single organisation. Dramatic changes are taking place. But where exactly are they taking us? Where is the modern company heading?

There are three standard answers to this question. The first is that a handful of giant companies are engaged in a "silent takeover" of the world. The past couple of decades have seen a record number of mergers. The survivors, it is maintained, are far more powerful than nation states.

The second school of thought argues almost the opposite: it says that big companies are the thing of the past. For a glimpse of the future, look at the Monorail Corporation, which sells computers. Monorail owns no factories, warehouses or any other tangible assets. It operates from a single floor that it leases in an office building in Atlanta. Freelance workers are designing the computers while demand is still low.

The third school of thought says that companies are being replaces by "networks". Groups of entrepreneurs form such a network to market an idea. They then sell it to the highest bidder and move on to produce another idea and to create another firm, with the money being supplied all the time by venture capitalists.

Another way to look at the future of the company is to focus on the environment that will determine it. That environment is dominated by one thing: choice. Technology and globalisation open up ever more opportunities for individuals and firms to collect information and conduct economic activity outside traditional structures. While the age of mass production lowered the costs of products at the expense of limiting choices, modern "flexible" production systems both lower costs and increase choice. Consumers have more choice over where they spend their money. Producers have more choice over which suppliers to use. Shareholders have more choice over where to put their money. With all that choice around, future companies will have to be very flexible in order to quickly adapt to the changing environments if they are to survive.

Comprehension

Answer the following questions.

1. What were the characteristics of US corporations in the past?
2. What changes have occurred to those corporations?
3. What is meant by "shifting from high-volume to high-value"?
4. What different types of future companies does the author mention?
5. Why does he believe there is not one definite type of future company?
6. What does he believe to be the key to survival for companies in future?

Departments

The list of departments below is typical for many businesses – each one corresponds to a business function.

Companies also have other departments related to their own particular business activity.

Production might also include *Purchasing* and *Quality Assurance (QA)*.

Operations refers to all the internal processes of a company and might include, for example, *Logistics*.

Sales might also include *Business Development*.

Customer Services might include *Technical Support*.

Marketing might include *Market Research*.

Communications refers to all promotional activities including a strong focus on *Public Relations (PR)*.

Finance has many subdivisions, such as *Financial Control, Treasury, Accounts* and *Payroll* (= managing salary payments).

Human Resources (HR).

Information Technology (IT).

Research and Development (R&D).

Legal.

As well as departments, an international company may also have divisions organised according to geographical area or major product lines.

Individuals within the Structure

The Chief Executive Officer (CEO) runs the company.

The level below CEO is Chief … Officer, for example Chief Financial Officer (CFO).

The CFO is part of the senior management team. The CFO reports to the CEO (= has the CEO as their boss). The CFO is in charge of (= responsible for) all the financial side of the business.

The next level down might be country level for a large international organization, or departmental level. A job title here might be Sales Director or Head of Sales or VP (= Vice President) Sales. The Sales Director for Sweden liaises closely with (= talks to in order to work better with) the Chief Marketing Officer at Head Office in the States.

Below this are people with job titles like Manager, Officer, Coordinator, etc. The words Assistant or Deputy may also occur at any level.

I'm the Business Development Officer for Sweden. My line manager (= person directly above me / person who I report to) *is the Sales Director. The Sales Director delegates* (= gives) *a lot of the work to me*.

We say … *senior people* at a higher level

junior people at a lower level.

Company Culture

The structure of a company is often closely connected to its culture. In a small company it's easier to be dynamic and innovative, whereas in a large company things are often slow-moving and bureaucratic.

Similarly, if the company is hierarchical (many levels), then people at the bottom aren't allowed to take initiatives without permission from their seniors; decision-making and communication are top-down. If the structure is flat (few levels), then the flow of information can be more bottom-up.

In all cases you hope that the company culture is honest, open and transparent (= not trying to keep things secret).

Exercises

Ex. 1. Underline the correct word in italics.

1. The Purchasing Department is responsible for *buying parts and raw materials / making the final product*.

2. If you have a complaint, please contact *Consumer Services / Customer Services*.

3. All recruitment and selection is done by our *Human Relations / Human Resources* Department.

4. Innovation is the key to our success and we have recently expanded the *Research and Design / Research and Development* Department.

5. In the Legal Department we have three *lawyers / advocates* trained in commercial law.

6. It's the CEO's job to *control / run* the company.

7. Our Business Development Officer is *responsible for / the responsible for* finding new business opportunities.

8. I can't take that decision. It will have to be referred to *higher people / more senior people*.

9. That decision will have to be taken at *a higher level / a more superior level*.

10. In the department there are six Sales Representatives and their *line director / line manager*.

11. The Sales Department has to *liaise / liaison* closely with Marketing.

12. She *is part of / makes part of* a team of designers.

13. I am the Financial Controller, and I *relate directly / report directly* to the Finance Director.

Ex. 2. Complete each sentence with a verb from the words below.

answers	*arranges*	*checks*
collects	*deals*	*maintains*

1. The Quality Assurance Section … that the products have no defects.

2. The Logistics Department … the transport of goods and materials.

3. Technical Support … specific questions from customers about how to use the product.

4. The Market Research Section … and analyses information about the needs of consumers.

5. The Accounts Department … with invoices and payments.

6. The IT Department … the computer network.

Ex. 3. Complete the text about operations with the words and phrases below.

back-office functions	*behind the scenes*	*day-to-day basis*
liaise closely	*makes a profit*	*recruit*
meet their needs	*step on anyone's toes*	

Everyone knows the functions of company departments such as Marketing and Finance. Marketing is about promoting the company, and making sure that customers can find products that 1) ____ .Finance is about controlling the resources of a company to make sure that the business 2) ___. But what about Operations? The department name is less well-known, yet many large companies are run on a 3) _____ by Operations Managers.
Operations is about the internal processes of a company. In a manufacturing company an Operations Manager will make sure the production process is running smoothly. In a hotel they are responsible for bookings, front desk, maintenance, etc. In a bank they look after the administration of accounts and other 4) _____ .

Operations Managers have to 5) ______ with people from other departments. In the factory, it is with Purchasing Managers who buy the raw materials. In the hotel, it is with Human Resources Managers who 6) ______ new staff. In the bank it is with IT Managers who work 7) ______ to keep everything running. So the Operations Manager has to be careful not to
8) ______ .

Ex. 4. Give Russian equivalents to the following English words and expressions and use them in your own sentences:

to be responsible to / to report to / to be accountable to;
to be responsible for / to be in charge of;
to specialize in / to concentrate on;
to head the department;
to come under smth;
level / layer / tier;
to work under;
to coordinate;
chain of command;
unity of command;
to monitor;
to implement.

Ex. 5. Complete these sentences with the appropriate preposition(s).

1. Organisational structure concerns who reports _____ whom.
2. Depending _____ its size, there are several organisational structures a company can choose from.
3. Many companies are organising themselves _____ product lines.
4. In the 1980s a wave of restructuring went _____ industry.
5. Delayering was driven _____ the need to reduce costs.
6. Microsoft in Ireland is split _____ _____ seven business units.

Ex. 6. Fill in the gaps with the words below. You may change the form of the words.

issues & practices	*chairmen*	*to manage*	*divisions*
to look after	*to implement*	*to motivate*	*to monitor*
key officers	*to supervise*		

The Philips People

Royal Philips Electronics (1)_____ by the Board of Management, which (2)_____ the general direction and long-term strategy of the Philips groups as a whole. The Supervisory Board (3)_____ the general (4)_____ of the Philips group as well as advising the Board of Management and (5)_____ its policies. These policies (6)_____ by the Group Management Committee, which consists of the members of the Board of Management, (7)_____ of most of the product (8)_____ and some other (9)_____. The Group Management Committee also serves to ensure that business (10)_____ are shared across the various activities in the group.

Ex. 7. Circle the word that does not belong in each horizontal group:

1)	business;	company;	society;	subsidiary;
2)	salary;	manager;	executive;	employee;
3)	finance;	product;	research;	marketing;
4)	distributing;	selling;	assembling;	promoting;
5)	components;	tools;	hardware;	strategy;
6)	end user;	customer;	client;	distributor.

Ex. 8. Insert the following prepositions into appropriate places.

out *on (2)* *over (2)* *to (2)* *by* *across* *in (2)*

The Philips Company

Philips' headquarters are still (1)_____ Eindhoven. It employs 256,400 people all (2)_____ the world, and has sales and service outlets in 150 countries. Research laboratories are located in six countries, staffed (3)_____ some 3,000 scientists. It also has an impressive global network of some 400 designers spread (4)_____ twenty-five locations. Its shares are listed (5)_____ sixteen stock exchanges in nine countries and it is active (6)_____ about 100 businesses, including lighting, monitors, shavers and colour picture tubes; each day its factories turn (7)_____ a total of 50 million integrated circuits. The company creed is "Let's make things better". It is committed (8)_____ making better products and systems and contributing (9)_____ improving the quality of people’s work and life. One recent example of this is its "Genie" mobile phone. To dial a number you just have to say it aloud. Its Web TV Internet terminal brings the excitement of cyberspace into the living room. And (10)_____ travels around the world, whether passing the Eiffel Tower in Paris, walking (11)_____ London's Tower Bridge, or witnessing the beauty of the ancient pyramids of Giza, you don't have to wonder any more who lit these world famous landmarks, it was Philips.

Ex. 9. Make a short summary of what you have learned about Philips (4 – 5 sentences are enough). Use the information from Exercises 5 & 7. Do you personally use the Philips's products? Why? What else do you know about the company?

Ex. 10. Read what Pieter says about company culture at his previous company and his current company. The text has eight wrong words. Find and correct them.

In my last job I worked for a large telecommunications company. It used to be the estate-owned monopoly, but they privatised it in the nineties. Unfortunately, the cultural there hasn't really changed. Decision-making is very slow-moving and bureaucracy – everything has to be agreed all the way up the chain before action can be taken.

I didn't really like working there, and I moved to a smaller competitor two years ago. It's much better now – I have more responsible because my boss trusts me and he relegates a lot of interesting projects to me. Everybody knows what is going on and can make a contribution – communication works well in both directions, both bottom-down and top-up. It's a dynamic, innovation company and we're growing fast. I hope to continue working here for several more years.

Discussion

1. What kind of company structure would you choose for your own business and why?

2. Would you prefer working for a small or a large organization? Why?

3. Choose two or three departments of a large company and describe their functions in detail.

4. Finance, marketing and production departments often have incompatible goals. Classify the following strategies according to which departments would probably favour them:

a) a factory working at full capacity;
b) a large advertising budget;
c) a large sales force earning high commission;
d) a standard product without optional features;
e) a strong market share for new products;
f) a strong cash balance;
g) generous credit facilities for customers;
h) high profit margins;
i) large inventories to make sure that products are available;
j) low research and development spending;
k) machines that give the possibility of making various different products;
l) self-financing (using retained earnings rather than borrowing).

5. What is your function or job title?

6. What are you responsible for?

7. Who are you responsible to? (who do you report to?)

8. What other units, departments or divisions do you regularly have to work with?

9. What other departments do you occasionally have conflicts with?

Types of Company

Key Vocabulary

Articles of Association (GB) / Articles of Incorporation (US) / Bylaws (US) – an official document giving details of the structure and running of a company (the powers of directors, the rights of shareholders, the way in which the accounts will be improved, etc).

Business plan – a document produced by a company, especially a new company, giving details of expected sales and costs, the way the business can be financed, and showing why the plan will make money.

Bylaw – a rule made by a company or organization that must be obeyed by the people working for it.

Company officer / Corporate officer – someone with legal responsibility for a company.

Corporation – a large company or a group of companies acting together as a single organization.

Demutualization – obtaining the agreement of the people who invest in a mutual company, or are insured by it, to become a limited company with shareholders, listed on the stock market.

Dividend – a part of the profits of a company for a particular period of time that is paid to shareholders for each share that they own.

Enterprise – a company or business; a business activity; business activity considered as a whole, especially in relation to other parts of the economy, society, etc.

Entrepreneur – someone who starts a company, arranges business deals and takes risks in order to make a profit.

Household name – a name of a product, company etc that is very well known.

Inc / Incorporated (US) – used after the name of a company in the US to show that it is a corporation.

Incorporated company – a company listed officially as a company by meeting certain legal requirements which apply in a particular country or a particular state.

Joint venture – a business activity in which two or more companies have invested together.

Legal entity, a business – an organization considered as a separate independent unit for legal purposes.

Limited liability – responsibility of the owners of a limited liability company for their company debts up to a certain amount if it goes out of business, with no obligation to sell their personal assets to repay these debts.

Listed company – a large successful company whose shares are on the official list of shares traded on the main financial markets.

LLC / Limited liability company – a company where individual shareholders will lose only the cost of their shares if the company goes bankrupt, and not other property they own.

LTD / Private limited company – a company whose shares are not openly traded and can only pass to another person with the agreement of other shareholders.

Memorandum of Association (GB) / Certificate of Incorporation (US) – one of the documents needed when a company starts doing business, giving details about its activities, capital, etc.

Mutual / Mutual company – a company that has members but not shareholders. Profits from a mutual company are not paid out in dividends but in another form (for example life insurance company).

Non-profit organization / Not-for-profit organization / Charity – an organization that collects money to help people, f. ex. those who are sick or poor, or to help certain types of activity such as artistic activity.

Partnership – a business organization made up of a group of accountants, lawyers, etc who work together; a group of investors.

Physical entity, an individual – a person whose business does not exist separately from its owner and who is liable for all the profits or losses that might be incurred.

PLC / Public limited company – a limited company whose shares are freely sold and traded, with a minimum share capital of 50,000 pounds and the letters PLC after its name.

Shareholder (GB) / Stockholder (US) – someone who owns shares in a company.

Stakeholder – a person who is considered to be an important part of an organisation because they have responsibility within it and receive advantages from it.

Silent partner / Sleeping partner – a partner who invests in a business but does not take an active part in managing it.

Sole owner / Sole proprietor / Sole trader – a legal form of a company in some countries for someone who has their own business, with no other shareholders.

Start-up – a new company.

Subsidiary company – a company of which more than half is owned by another company.

Unlimited liability – responsibility of a person or an organization for paying the complete cost of any damage or injury they cause, or for paying all of their debts, with no upper limit.

Unlisted company – a small company whose shares are not on the official list of shares traded on a particular stock market.

Venture – a new business activity or project that involves taking risks.

Venture capital / Risk capital – money lent to someone for starting a new business.

Venture capitalist – someone who puts up money for a lot of new companies.

Warm-up

1. What forms of doing business do you know? Which one appeals to you most and why?

2. What are most people's main personal assets?

3. What are the ways of getting the capital to set up a business?

4. What are the advantages and disadvantages of being a sleeping partner?

Intensive Reading

Private Ownership

1. Sole traders.

These are businesses which are owned by a private person who uses his own money to run the business. Consequently the sole trader is entitled to all the profits, but he must also bear any losses which are incurred. A sole trader has no legal obligation to make his accounts publicly available; and he is responsible for the day-to-day management of the business. Examples of sole traders are small shopkeepers, jobbing builders, plumbers and hairdressers.

2. Partnership.

These are unincorporated associations and the legal rules which govern them were established in the Partnership Act of 1890. The association or partnership does not have a separate existence from its members, the number of which ranges from two to 20. The partners provide the finance for the organisation, and the profits and losses will normally be shared in an agreed proportion depending on the individual's contribution to the partnership. The partners agree on the day-to-day running of the business: some members can be "sleeping" partners, in that they do not take part in the daily operations. Partners have unlimited liability: each partner is jointly liable with the other partners for any debts. Like sole traders, there is no legal obligation for the partners to publish their accounts.

Well-known examples of partnership occur in the professions, such as solicitors, accountants and estate agents. But partnerships can be formed by any group of people carrying on business with a view of making a profit; consequently partnerships are found in all types of trade and business activity.

3. Private limited companies.

This type of organisation is a corporation incorporated by the Companies Act 1948-85. The number of members can range from two to 50 and they provide the financial resources for the undertaking. Membership of the company is restricted to private individuals: members of the general public cannot buy shares in a private limited company. The profits are distributed to the members as dividends on their shareholding. Losses are borne by the company. The day-to-day management of the company is carried out by a board of directors. Private limited companies are often local family businesses and are common in the building, retailing and clothing industries.

4. Public limited companies.

Public limited liability companies, despite their name, are the best known form of *private* company. They are corporations and obtain their share capital from members of the public. They are similar to private limited companies in that profits are distributed as dividends to shareholders and the liability of members is restricted to their shareholdings. Any losses are borne by the company. Management of the company is conducted by a board of directors who are responsible to the shareholders.

Most industries include public limited companies and many of them, by developing a corporate image, have become household names: Barclays, Rowntree-Mackintosh, Tate & Lyle, EMI, Beecham, Ford and Courtaulds are public limited companies. Some public limited companies have developed into massive organisations such that a few private corporations are as large as some sovereign states.

Comprehension

Answer the following questions.

1. What is the difference between the sole proprietorship and partnership?

2. What is the difference between private limited companies and public limited companies?

3. What does the "limited liability" mean and how does it safeguard the owner of business?

4. What are the advantages and disadvantages of each kind of business?

Extensive Reading

Companies

Individuals, and groups of people doing business as a partnership, have unlimited liability for debts, unless they form a limited company, if the business does badly and cannot pay its debts, any creditor can have it declared bankrupt. The unsuccessful business people may have to sell nearly all their possessions in order to pay their debts. This is why most people doing business form limited companies. A limited company is a legal entity separate from its owners, and is only liable for the amount of capital that has been invested in it. If a limited company goes bankrupt, it is wound up and its assets are liquidated (i.e. sold) to pay the debts. If the assets don't cover the liabilities or the debts, they remain unpaid. The creditors simply do not get all their money back.

Most companies begin as *private* limited companies. Their owners have to put up the capital themselves, or borrow from friends or a bank, perhaps a bank specialising in venture capital. The founders have to write a Memorandum of Association (GB) or a Certificate of Incorporation (US), which states the company's name, its purpose, its registered office or premises, and the amount of authorized share capital. They also write Articles of Association (GB) or Bylaws (US), which set out the duties of directors and the rights of shareholders (GB) or stockholders (US). They send these documents to the registrar of companies.

A successful, growing company can apply to a stock exchange to become a public limited company (GB) or a listed company (US). Newer and smaller companies usually join "over-the-counter" markets, such as the Unlisted Securities Market in London or Nasdaq in New York. Very successful businesses can apply to be quoted or listed (i.e. to have their shares traded) on major stock exchanges. Publicly quoted companies have to fulfill a large number of requirements, including sending their shareholders an independently-audited report every year, containing the year's trading results and a statement of their financial position.

The act of issuing shares (GB) or stocks (US) for the first time is known as floating a company (making a flotation). Companies generally use an investment bank to underwrite the issue, i.e. to guarantee to purchase all the securities at an agreed price on a certain day, if they cannot be sold to the public.

Companies wishing to raise more money for expansion can sometimes issue new shares, which are normally offered first to existing shareholders at less than their market price. This is known as a rights issue. Companies sometimes also choose to capitalize part of their profit, i.e. turn it into capital, by issuing new shares to shareholders instead of paying dividends. This is known as a bonus issue.

Buying a share gives its holder part of the ownership of a company. Shares generally entitle their owners to vote at a company's Annual General Meeting (GB) or Annual Meeting of Stockholders (US), and to receive a proportion of distributed profits in the form of a dividend – or to receive part of the company's residual value if it goes into liquidation. Shareholders can sell their shares on the secondary market at any time, but the market price of a share – the price quoted at any given time on the stock exchange, which reflects (more or less) how well or badly the company is doing – may differ radically from its nominal value.

Comprehension

Answer the following questions.

1. Why do people form limited companies?
2. Why do companies issue shares?
3. Why do people buy shares?

Outline of a Business Plan

I. Introductory Page.

A. Name and address of business.

B. Name(s) and address(es) of principals.

C. Nature of business.

D. Statement of financing needed.

E. Statement of confidentiality of report.

II. Executive Summary – three to four pages summarising the complete business plan.

III. Industry Analysis.

A. Future outlook and trends.

B. Analysis of competitors.

C. Market segmentation.

D. Industry forecasts.

IV. Description of Venture.

A. Product(s).

B. Service(s).

C. Size of business.

D. Office equipment and personnel.

E. Background of entrepreneurs.

V. Production Plan.

A. Manufacturing process (amount subcontracted).

B. Physical plant.

C. Machinery and equipment.

D. Names of suppliers of raw materials.

VI. Marketing Plan.

A. Pricing.

B. Distribution.

C. Promotion.

D. Product forecasts.

E. Controls.

VII. Organizational Plan.

A. Form of ownership.

B. Identification of partners or principal shareholders.

C. Authority of principals.

D. Management-team background.

E. Roles and responsibilities of members of organization.

VIII. Assessment of Risk.

A. Evaluate weakness of business.

B. New technologies.

C. Contingency plans.

IX. Financial Plan.

A. Pro forma income statement.

B. Cash flow projections.

C. Pro forma balance sheet.

D. Break-even analysis.

E. Sources and applications of funds.

X. Appendix (contains backup material).

A. Letters.

B. Market research data.

C. Leases or contracts.

D. Price lists from suppliers.

Exercises

Ex. 1. Underline the correct word in italics.

1. My brother is a plumber. He's *autonomous* / *self-employed*.

2. The people who own a private company might include the founder of the company, some family members, and perhaps a few business *associates / companions*.

3. In a public company anybody can buy the *actions / shares*.

4. A public company is *listed / posted* on a stock exchange.

5. Our railways were recently privatised. I think the service was better before, when they were a *public company / state-owned enterprise*.

Ex. 2. What type of organisation is each of these?

1. A group of engineers who work together to provide consultancy and design services. There are no outside shareholders.

2. A large British engineering company with 30,000 employees. Its shares are bought and sold on the stock market.

3. An American engineering company with outside shareholders.

4. An engineer who works by herself providing consultancy. She works from home and visits clients in their offices.

5. An independent British engineering company with 20 employees. It was founded by three engineers, who are shareholders and directors of the company. There are five other shareholders who do not work for the company.

Ex. 3. Match the sentence beginnings (1 – 5) to the correct endings (a – e).

1. British companies donate around £500 million a year to charities
2. She organised fund-raising

a) with loss-making companies!
b) in cash and, increasingly, as goods, services and time.

3. Voluntary sector employees earn five to ten per cent
4. Non-profit organisations are not to be confused
5. Research shows that volunteers give the best service

c) parties for the charity.
d) when they are helping people in their own social class.
e) less than they would in the private sector.

Ex. 4. Correct the mistakes.

1. Before we employ people, we like to put them in job situations to see how they do the work and fit into the corporate ladder.
2. The company has built a grand corporate logo as a permanent symbol of its power.
3. Our stylish new corporate culture shows our wish to be seen as a more international airline.
4. The economy is growing and corporate headquarters are rising.
5. The rules were introduced to protect women working in factories, but today they make it harder for women to climb the corporate image.
6. Companies hit by computer crime are not talking about it because they fear the publicity will harm their corporate profits.

Ex. 5. Fill in the gaps with the expressions from the box.

enterprise zone	*free enterprise*	*enterprise economy*
private enterprise	*enterprise culture*	

Margaret Thatcher often talked about the benefits of (1)_____ or (2)_____. She said that her achievement was to establish an (3)_____ in Britain, an economy where people were encouraged to start their own companies and where it was acceptable to get rich through business: an (4)_____.

In some areas, the government reduced the number of laws and regulations to encourage businesses to move there. Businesses were encouraged to set up in the London Docklands, for example. The Docklands were an (5)_____.

Ex. 6. Complete the text below with an appropriate relative pronoun: *who, which, where, whose, that*. If it is possible to omit the relative pronoun, indicate this with (--).

Some tips on starting your own business

Planning is an essential ingredient for a successful business. The type of business (1) *that / which*_ needs most careful thought is the one you start from scratch. But you don't need an original idea to have a good business. If you are worried about starting from scratch, you might want to think about buying a business (2)_____ is already running.

Talking to people (3)_____ have already started up their own business is very useful. You can learn a great deal from both successful businesses and those (4)_____ have failed. Your Enterprise Agency or Chamber of Commerce may run business clubs (5)_____ you can meet other small business owners.

Not having enough finance, (6)_____ is one of the most common problems in small business, can be fatal. It is easy to underestimate the amount of money (7)_____ you will need to start up your business. The time (8)_____ you spend working out your cash needs and monitoring cash flow is time well-spent.

You should have at least a basic understanding of trading laws, (9)_____ protect consumers, employees, the general public and businesses as well.

Failure to respect these laws could even be a crime. For example, every employee (10)_____ employment continues for one month or more, has the right to receive a written statement, (11)_____ is a sort of contract with the terms and details of their employment. Your local tax office will send you documents (12)_____ show you how much you need to take out of each employee's wages, and where to send the money.

Ex. 7. Circle the word that does not belong in each horizontal group.

1.	interest	repayment	loan	shareholder
2.	order	livery	artwork	design
3.	partnership	company	venture	overheads
4.	service	outlet	premises	branch
5.	deliver	entrepreneur	customer	investor
6.	consumption	capital	cost	finance
7.	redundant	business	trade	turnover

Dilemma

The virtue of necessity

Brief

A serious safety problem is threatening the future of Transal, a pipeline company. Hundreds of yearly accidents have led to high absenteeism, causing lost time, low morale, unsatisfactory efficiency levels, falling profits and a falling share price. Press articles about the company's lack of concern for its employees are having a very negative effect on customers, shareholders and staff. If the company is to survive, it must develop a "safety conscious culture". The question is: how?

Task 1. Role Play

Look at the three options open to Transal and discuss the potential benefits of each one. Role play a meeting.

1. The International School of Industrial Engineering.

Send all technical staff members on an intensive "safety awareness" course run by a high-profile school of engineering. The course is very expensive but has an excellent reputation. This will be emphasised at a press conference organized to announce the new company plans. On their return, the managers will train their teams. The forecast is to have improved safety conditions by this time next year.

2. Stanford, Traynor and Weldon Associates.

Bring outside consultants into every subsidiary to organize training schemes for all employees over a period of six months. This would be more expensive but would give low-level workers an opportunity to speak to experts and to point out problems. The results should be almost immediate and the experts would be on hand to talk to the press.

3. Safety Charity Challenge.

Offer to give a sum of money to a community charity of the workers' choice every time they eliminate a safety hazard. An untested idea suggested by the communications department. If successful, it could lead to a lot of positive publicity and be very cost-effective. However, it relies on the employees' willingness to take part in such a scheme. There is no knowing how long it might take to improve conditions.

Task 2.

Choose the best option and present your arguments to the class.

Recruitment

Key Vocabulary

Application form — an official document with spaces to answer questions and add information when applying for a job.

Bonus — an extra amount of money added to an employee’s wages, usually as a reward for doing difficult or good job.

Candidate / applicant — someone who is being considered for a job or is competing to be elected.

Compensation payment / severance payment — a pay-out when a person leaves the company, if he is forced to leave.

Compensation and remuneration — pay and benefits for senior managers.

Corporate / career ladder — a career, considered as a series of levels that lead to better and better jobs.

C/V (GB) / résumé (US) — a document giving details of your education and past employment, used when you are applying for a job.

Employer — a person or company that pays people to work for them.

Exit interview — an interview between someone leaving a company and the employer.

Fat cats — executives with very high pay and good benefits.

Freelance(r) — a person working for different companies rather than being directly employed by one.

Fringe benefits / perks — an additional advantage or service given with a job besides wages. Pensions, company cars, loans at low rates of interest are examples of them.

Headhuntee — a person who is headhunted.

Headhunters — firms that find managers with the right skills and experience to do a particular job, often by persuading a suitable person to leave their present jobs.

Incentives — something which is used to encourage people, to make them work harder, etc.

Job ad / advert / advertisement — an announcement in a newspaper or magazine, informing people that a job is available.

Job description / job specification — an official list of the work and responsibilities you have in your job.

Job interview — a formal meeting at which someone is asked questions to find out whether they are suitable for a job.

Job-seeker / job hunter — someone who is looking for a job.

Letter of application / covering letter (GB) / cover letter (US) — a letter that you send with other documents or a package explaining why the package has been sent or giving extra information about it.

Portfolio worker — a professional person who works for many different companies or individuals.

Probation / trial period — a period of time during which a new employee is tested to make sure they are suitable for a job.

Recruit / hire / novice — someone who has recently joined a company or organization.

Recruitment / employment / hiring — a process of finding new people to work for an organization, do a job.

Recruitment / staff / employment agency (GB) / search firm (US) — a business that works for organization to find people for jobs when the organizations need them.

Situation / post / position — a job.

Share / stock options — for senior managers, options to buy shares at a particular price.

Unemployment benefit / compensation — money paid regularly by the government to people who don't have a job.

Vacancy / opening — a job that is available for someone to start doing.

Warm-up

1. What recruitment methods can you think of? What are the advantages and disadvantages of each one?

2. In your opinion, do recruitment techniques vary in different countries?

3. What in your opinion is the best way to motivate staff?

4. What is the best way to motivate you?

Intensive Reading

Recruitment and Selection

Approaches to selection vary significantly across cultures. There are differences not only in the priorities that are given to technical or interpersonal capabilities, but also in the ways that candidates are tested and interviewed for the desired qualities.

In Anglo-Saxon cultures, what is generally tested is how much the individual can contribute to the tasks of the organisation. In these cultures, assessment centres, intelligence tests and measurements of competencies are the norm. In Germanic cultures, the emphasis is more on the quality of education in a specialist function. The recruitment process in Latin and Far Eastern cultures is very often characterised by ascertaining how well that person "fits in" with the larger group. This is determined in part by the elitism of higher educational institutions, such as the "grandes ecoles" in France or the University of Tokyo in Japan, and in part by their interpersonal style and ability to network internally. If there are tests in Latin cultures, they will tend to be more about personality, communication and social skills than about the Anglo-Saxon notion of "intelligence".

Though there are few statistical comparisons of selection practices used across cultures, one recent study provides a useful example of the impact of culture. A survey conducted by Shackleton and Newell compared selection methods between France and the UK. They found that there was a striking contrast in the number of interviews used in the selection process, with France resorting to more than one interview much more frequently. They also found that in the UK there was a much greater tendency to use panel interviews than in France, where one-to-one interviews are the norm. In addition, while almost 74 per cent of companies in the UK use references from previous employers, only 11 per cent of the companies surveyed in France used them. Furthermore, French companies rely much more on personality tests and handwriting analysis than their British counterparts.

Many organisations operating across cultures have tended to decentralise selection in order to allow for local differences in testing and for language differences, while providing a set of personal qualities or characteristics they consider important for candidates.

Hewitt Associates, a US compensation and benefits consulting firm based in the Mid West, has had difficulties extending its key selection criteria outside the USA. It is known for selecting "SWANs": people who are Smart, Willing, Able and Nice. These concepts, all perfectly understandable to other Americans, can have very different meanings in other cultures. For example, being able may mean being highly connected with colleagues, being sociable or being able to command respect from a hierarchy of subordinates, whereas the intended meaning is more about being technically competent, polite and relatively formal. Similarly, what is nice in one culture may be considered naive or immature in another. It all depends on the cultural context.

Some international companies, like Shell, Toyota, and L'Oreal, have identified very specific qualities that they consider strategically important and that support their business requirements. For example, the criteria that Shell has identified as most important in supporting its strategy include mobility and language capability. These are more easily understood across cultures because people are either willing to relocate or not. There is less room for cultural misunderstandings with such qualities.

Comprehension

Answer the following questions.

1. How do selection practices vary across cultures?

2. What is tested in Anglo-Saxon, Germanic, Latin and Far Eastern cultures?

3. Why do many international organisations tend to decentralise their selection process and how do they do this?

4. How can language differences cause difficulties in selection across cultures?

5. What universal criteria do multinational companies use while recruiting internationally? Why?

Extensive Reading

Motivating High-Calibre Staff

An organisation's capacity to identify, attract and retain high-quality, high-performing people who can develop winning strategies has become decisive in ensuring competitive advantage.

High performers are easier to define than to find. They are people with apparently limitless energy and enthusiasm, qualities that shine through even on their bad days. They are full of ideas and get things done quickly and effectively. They inspire others not just by pep talks but also through the sheer force of their example. Such people can push their organisations to greater and greater heights.

The problem is that people of this quality are very attractive to rival companies and are likely to be headhunted. The financial impact of such people leaving is great and includes the costs of expensive training and lost productivity and inspiration.

However, not all high performers are stolen, some are lost. High performers generally leave because organisations do not know how to keep them. Too many employers are blind or indifferent to the agenda of would-be high performers, especially those who are young.

Organisations should consider how such people are likely to regard important motivating factors.

Money remains an important motivator but organizations should not imagine that it is the only one that matters. In practice, high performers tend to take for granted that they will get a good financial package. They seek motivation from other sources.

Empowerment is a particularly important motivating force for new talent. A high performer will seek to feel that he or she "owns" the project in a creative sense. Wise employers offer this opportunity.

The challenge of the job is another essential motivator for high performers. Such people easily become demotivated if they sense that their organisation has little or no real sense of where it is going.

A platform for self-development should be provided. High performers are very keen to develop their skills and their curriculum vitae. Offering time for regeneration is another crucial way for organisations to retain high performers. Work needs to be varied and time should be available for creative thinking and mastering new skills. The provision of a coach or mentor signals that the organisation has a commitment to fast-tracking an individual's development.

Individuals do well in an environment where they can depend on good administrative support. They will not want to feel that the success they are winning for the organisation is lost because of the inefficiency of others or by weaknesses in support areas.

Above all high performers – especially if they are young – want to feel that the organisation they work for regards them as special. If they find that it is not interested in them as people but only as high-performing commodities, it will hardly be surprising if their loyalty is minimal. On the other hand, if an organisation does invest in its people, it is much more likely to win loyalty from them and to create a community of talent and high performance that will worry competitors.

Comprehension

Answer the following questions.

1. According to the article, who are high performers? What sort of people are they?

2. What qualities of high performers are mentioned in the article?

3. What motivates high performers to stay with the same company?

4. What are the problems of losing high performers?

Discussion

1. Different cultures look for different qualities when selecting personnel.

What are they?

2. What are the best ways to measure or evaluate technical skills?

3. How can you measure interpersonal skills?

4. What are the most common selection methods used by companies and organisations in your country, (e.g. interviews, intelligence tests)?

5. How would it feel to be "headhunted"?

6. Is the poaching of senior personnel from a company simply part of executive life, or is it an unethical activity?

7. In western countries, executives tend to switch jobs several times in their careers, whereas in Japan, with its policy of lifetime employment, most executives stay with one company throughout their working lives. Which system is better for the employer? And for the employee?

Exercises

Ex. 1. Look at these job advertisements. Are there any which would interest you? Explain why. Do you have the qualifications and experience to apply for them? If none of the jobs interests you, explain why. Tell your partner what kind of job would be most suitable for you.

ACCOUNTANT

We are a major international oil company with numerous expanding on- and off-shore interests in the UK and in North Africa. We are looking for an ambitious, qualified accountant aged 27 – 32 with several years' experience in the oil industry.

This is a challenging and stimulating position in which you will provide an essential link between the financial and the exploration management of the company. You will be involved in negotiating new agreements and in preparing financial plans and forecasts. You need to be dynamic and dedicated but tactful and disciplined.

The remuneration will reflect your experience and your management potential. Benefits include a company car, a pension scheme and life assurance. Please apply in writing to Page Petroleum, 77 Western Road, LONDON SW1 7HK.

MARKETING SPECIALIST

Curtis Menzies-Europe PLC, the foremost name in food processing and packaging is strengthening its marketing team to encourage the growing demand for the company's products. The company has an outstanding record in technological achievement as well as in business growth, and the career opportunities are extensive.

We are looking for a marketing specialist who will profitably develop our large range of household name brands of foods and beverages and play a key role in determining long-term marketing strategy. Candidates should possess a degree in a science or technology-based subject and be articulate and practical. Industrial experience and a background in sales or marketing are essential. Experience of managerial responsibility would be an advantage. An excellent salary is being offered and a company car will be provided. Candidates should apply to Personnel Department, Curtis Menzies-Europe PLC, Havant Road, Bournemouth, DORSET.

PA/SECRETARY

A small but progressive film company based in the West End of London requires a PA/Secretary for its Chief Executive. The candidate will be an experienced and confident secretary with shorthand and typing. He/she will be friendly and have an efficient approach to his/her work as well as an enthusiastic interest in the creative arts. A background in publishing/media would be an advantage. The candidate will be directly involved in assisting the Chief Executive in the day-to-day running of the company, and will be in close contact with both production and financial personnel. Annual earnings will be in the £8,000 -- £10,000 range; benefits include 5 weeks' holiday and a pension scheme. For further details, write to Girl Friday, High Holborn, LONDON WC1 7BQ.

RECEPTIONIST/ TELEPHONIST

Well-established publishing company requires a bright, reliable and well-spoken person with experience to control its reception area. Duties include dealing with visitors' enquiries, using switchboard, sending telex and some typing work. Age 19+. Hours 9 a.m. – 5.30 p.m. Four weeks' paid annual leave. Wages to be agreed. Ring Miss Penrice, 01-436 8212.

Ex. 2. Read the advertisements again. Make notes on:

1) the title of each job;

2) the type of firm;

3) the tasks involved;

4) the salary and other benefits.

Ex. 3. Now find words and expressions in the advertisements which indicate the *size* of the company.

EXAMPLE*:* major.

Find words and expressions which refer to the *growth* of the company.

EXAMPLE*:* expanding.

Find words and expressions to describe *professional skills* and *personal qualities* required for the jobs.

EXAMPLE*:* ambitious, qualified.

Find words and expressions which refer to a form *of payment.*

EXAMPLE*:* earnings.

Ex. 4. When employees "give notice", i.e. inform their employer that they will be leaving the company (as soon as their contract allows), in what order should the company carry out the following steps?

1) either hire a job agency (or for a senior post, a firm of headhunters), or advertise the vacancy;

2) establish whether there is an internal candidate who could be promoted (or moved sideways) to the job;

3) examine the job description for the post, to see whether it needs to be changed (or indeed, whether the post needs to be filled);

4) follow up the references of candidates who seem interesting;

5) invite the short-listed candidates for an interview;

6) make a final selection;

7) receive applications, curriculum vitae and covering letters, and make a preliminary selection (a short list);

8) try to discover why the person has resigned;

9) write to all the other candidates to inform them that they have been unsuccessful.

Interview

In order to succeed in getting a job, a candidate should learn how to play "an interview game". Below one can find how a household name – P & G (Procter & Gamble) regards an interview, and their advice to potential applicants.

An interview is your chance to present your experiences, interests, talents and professional ambitions. This is the time you can learn more about the company, the character of the work, and many other issues. Your interview is your opportunity to exceed our expectations and to show us how you can contribute to P&G's continuing progress. We don't want bundles of certificates or huge portfolios – we'd like to hear more about the answers you gave in your application form and the experiences that you believe have shaped you as a person. This helps us to form a more rounded picture of you as an individual.

During the interview you will be proposed to tell about your experience in different situations. Here are examples of questions, you may be asked:

1. Tell me about a time when something significant was accomplished that you made happen.

2. Tell me about a time when you as a leader of a group of people, set direction for them, gained their commitment and led them to achieve outstanding results.

3. Tell me about a difficult problem you faced and how you solved it.

4. Tell me about a situation in which you were able to find a new and better way of doing something that led to improved results.

5. Give me an example of a risk you took to achieve something important.

6. Give me an example that would show you've been able to develop and maintain productive relations with others, even though they may have differing points of view.

7. Tell me about a time when you had to learn something new in order to accomplish a goal.

Try to recall examples within the last five years from your involvement in academic, club, society, project or group activities.

Please make sure that you describe the ***situation****,* the ***actions you took*** and the ***results achieved****.*

And now some more practical advice. This is the first page of an article in an American magazine.

How to Shine at a Job Interview

The smart job-seeker needs to rid herself of several standard myths about interviewing before she starts pounding the pavement looking for a job. What follows is a list of some of these untruths and some tips to help you do best at your next interview.

Myth 1: The aim of interviewing is to obtain a job offer

Only half true. The real aim of an interview is to obtain the job you want. That often means rejecting job offers you don't want! Incompetent job-seekers, however, become so used to accommodating employers' expectations that they often easily qualify for jobs they don't want. So, before you do back-flips for an employer, be sure you want the job.

Myth 2: Always please the interviewer

Not true. Try to please yourself. Giving answers that you think will suit a potential employer, losing touch with your own feelings (in order to get in touch with some other person's feelings) and, in general, practising an abject policy of appeasement are certain to get you nowhere. Of course, don't be hostile – nobody wants to hire someone disagreeable. But there is plainly a middle ground between being too ingratiating and being hostile. An effective interview (whether you are offered the job or not) is like an exciting encounter in conversation with your seatmate on an airplane.

Myth 3: Try to control the interview

Nobody "controls" an interview – neither you or the interviewer – although one or both parties often try. Then it becomes a phony exchange between two human beings; no business is likely to be transacted. When somebody tries to control us, we resent it. When we try to control somebody, she resets us. Remember, you can't control what an employer thinks of you, just as she can't control what you think of her. So hang loose when interviewing: Never dominate the interview. Compulsive behaviour turns off your authenticity.

Myth 4: Never interrupt the interviewer

No dice. "Never talk when I'm interrupting," said Mr George Bundy.

Good advice.

Study the style of effective conversationalist: She interrupts and is interrupted!

An exciting conversation always makes us feel free – free to interrupt, to disagree, to agree enthusiastically. We feel comfortable with people who allow us to be natural. So, when interviewing, half the responsibility lies with you. Do you seem uptight? Try being yourself for a change. Employers will either like or dislike you, but at least you'll have made an impression. Leaving an employer indifferent is the worst impression you can make. And the way to make an effective impression is to feel free to be yourself, which frees your interviewer to be herself!

Myth 5: Don't disagree with the interviewer

Another silly myth. If you don't disagree at times, you become, in effect, a "yes" woman. Don't be afraid to disagree with your interviewer – in an agreeable way. And don't hesitate to change your mind. The worst that could happen would be that the interviewer says to herself, "There's a person with an open mind!" The conventional wisdom says "be yourself", true enough. But how many people can be themselves if they don't feel free to disagree?

Role Play

Arrange the following interview into a proper order. Learn it by heart and role play it.

Int.: And went straight to your present job?

Smith: Oh yes. I love the theatre, cinema, ballet, I also sing in a choir, and I'm President of the local amateur theatre club.

Int.: Are you married?

Smith: Yes, that's right. We manufacture and sell beer throughout the region. My job is actually to expand sales outside the region.

Int.: Any outside interests?

Smith: Oh no, not at all, in fact it's that part of the job which attracts me the most.

Int.: Miss Smith, you’re the Marketing Manager for a brewery.

Smith: No, not yet!

Int.: You seem very young for such a responsible job, if I may say so.

Smith: Yes, I suppose so, but I'd like to think that the management do not regret their choice. I do learn very quickly, and the marketing team appreciate me.

Int.: On your abilities and not on your experience, I suppose.

Smith: No. I decided that it would be quite important to speak a foreign language fluently. So I went to France for a year.

Int.: And your qualifications?

Smith: (Laughter) Yes, I suppose you're right. I was very lucky to be promoted when I was 27, three years ago.

Int.: And do you mind travelling?

Smith: Yes, I've got a first class degree in physics, and then after that I took a diploma in business management.

Banking

Key Vocabulary

A/C / Acct / Account / Bank account – an arrangement between a bank and a customer that allows the customer to pay in and take out money.

ATM / Automated teller machine / Cash machine / Cash dispenser (GB) – a machine used by customers of a bank to take money out of their accounts, using a special card.

Bank – a business that makes its profit by paying interest to people who keep money there and charging a higher rate of interest to borrowers who borrow money from the bank.

Bank balance – the balance of a bank account showing how much the account contains, or how much it is in debt.

Bank card / Banker’s card – a cheque card, cash card, or debit card given to a client by a bank.

Banker's bank – the official bank of a country, which is responsible for setting interest rates, controlling the money supply, producing banknotes and making money available, and keeping the country's supply of foreign currency and gold, etc.

Banker's enquiry / Banker's reference – a statement given by a bank about the financial position of a business, for example a supplier, who wants to decide whether or not to allow the business credit.

Banker's order / Standing order – an arrangement between a bank and a customer for the bank to pay a fixed amount of money regularly from the customer's bank account to another account.

Bank statement – a statement sent by a bank to a customer, showing the money that has gone into and out of their account over a particular period of time.

Bill of exchange – a document ordering someone to pay a particular amount on a fixed date, used especially in international trade.

Borrower – a person, organization or country that has taken money, especially from a bank or building society and promised to return it.

Branch – an individual bank that part of a large organization.

Cash card – a plastic card used for getting money from a machine at a bank.

Central bank – the official bank of a country, which is responsible for setting interest rates, controlling the money supply, producing banknotes and making money available, and keeping the country's supply of foreign currency and gold, etc.

Cheque (GB) / Check (US) – a printed form used to pay for something instead of using money. The owners of cheques write on them the amount in words and numbers, the date, the person being paid, and sign their name.

Cheque book (GB) / Checkbook (US) – a book of cheques given by a bank to its customers.

Cheque (guarantee) card (GB) / Check (guarantee) card (US) – a plastic card that clients show when paying for something by cheque to prove who they are and to show that their bank has promised to pay their cheques up to a certain amount.

Clearing – making payments by banks and other financial institutions to each other at the end of a period of trading so that they no longer owe each other any money.

Clearing bank – one of the High Street banks that issues and accepts cheques and passes them through the banking system.

Commercial bank – a bank involved in international trading and providing services for businesses and organizations rather than for individuals; a bank owned by shareholders rather than individuals.

Counterfoil – the part of something such as a cheque that you complete and keep as a record of how much you have spent.

Credit – an arrangement with a shop, supplier etc to buy something now and pay for it later.

Credit balance – a balance showing that more money has been received or is owed to a company than has been paid out or is owed by the company.

Credit card – a plastic card used to buy goods. At the end of each month the owner of a credit card pays all or part of the total amount spent, and interest is charged on any amount not paid.

Credit standing – a measure of a lender's willingness to lend money to a particular person or organization, depending on their ability to repay.

Current account / Cheque account (GB) / Checking account (US) – an account that allows the customer to use a chequebook and provides services such as bill payments.

Debit – a decrease in the amount of money in a bank account, for example when a payment is made from it.

Debit card – a plastic card which is used instead of money or a cheque to pay for goods and services. The cost is taken directly from the user's bank account. Debit cards can also be used to obtain money from cash machines.

Demand account (US) / Instant access account (GB) – a bank account that a client can take money out of without having to warn the bank in advance.

Deposit – the total amount of money held in bank accounts etc within an economy.

Deposit account / Savings account – a bank account that pays interest, often used for saving money not needed immediately.

Deposit book / Deposit slip / Paying-in book / Paying-in slip – a special book or piece of paper that a customer fills in when they put money in their bank account.

Depositor – a person or organization that puts money into a bank account so that it can be held there and earn interest.

Direct debit – an instruction that you give your bank to regularly pay money directly out of your account to a particular person or organisation.

Documentary credit / Letter of credit / L/C – in foreign trade, a written promise by an importer's bank to pay the exporter's bank on a particular date or at a particular time after the goods are sent by the exporter.

FRS / Federal Reserve System / Fed – consists of the 12 **Federal Reserve Banks** and sets banking rules, controls the **money supply** and manages the **clearing system**.

High Street bank (GB) – a bank that has branches in many towns and cities.

Interest – an amount paid by a borrower to a lender, for example to a bank by someone borrowing money for a loan, or by a bank to a depositor.

Interest rate – the percentage rate used for calculating interest over a particular period of time, usually one year.

Investment bank – a bank that buys stocks and shares and then sells them to members of the public. Investment banks also offer advice on things such as mergers and takeovers.

Loan – money borrowed from a bank, financial institution, person etc on which interest is usually paid to the lender until the loan is repaid.

Merchant bank – a bank that deals with business rather than the general public. Merchant banks advise on and arrange finance for investment and takeovers, and advise financial institutions on where to make investments etc.

Money stock / Money supply – the amount of money in an economy at a particular time, and the speed with which it is used.

Mortgage – a legal arrangement where a client borrows money from a financial institution in order to buy land or a house, and pays back the money over a period of years. If the client does not make regular payments, the lender normally has the right to take the property and sell it in order to get back the money.

NOW account – negotiable order of withdrawal account.

Overdraft – an arrangement between a bank and a customer, allowing them to take out more money from their current account than they had in it, or the amount involved.

Penalty – an amount of money someone has to pay if they do not keep to a legal agreement, especially an agreement with a bank or an insurance company.

Reserve requirements (US) – an amount of money the government says that banks must possess, or leave with the **central bank**, calculated in relation to the amount of the loans that they make.

Standing order – an arrangement between a bank and a customer to pay a fixed amount of money regularly from the customer's bank account to another account.

Transaction – a payment or the process of making one. The act of paying and receiving money.

Traveller's cheque (GB) / Traveler's check (US) – a cheque for a fixed amount that can be bought from a bank and cashed for local currency in another country.

Withdrawal – the act of taking money out of a bank account; the amount you take out.

Warm-up

1. What is a bank? What is it for? What types of banks do you know?
2. What are the usual services banks provide?
3. Are you a bank user? What is your favourite bank and why?

Intensive Reading

Banking in the UK

Banks in the UK; commercial bank facilities (current accounts, deposit accounts, credit cards, standing orders, loans and overdrafts); international banking; bills of exchange; documentary credits.

These can be divided into two groups: merchant banks and commercial banks.

Merchant banks tend to encourage larger organizations to use their services, and while the facilities they offer are similar to those of the commercial banks, the former specialize in areas of international trade and finance, discounting bills, confirming credit status of overseas customers through confirming houses, acting in the new issue market (placing shares), and in the bullion and Eurobond market. They are, in addition, involved in shipping, insurance, and foreign exchange markets. Brown Shipley, Hambros, Keyser Ullmann, Schroders, etc are merchant banking houses.

Commercial banks offer similar services but are particularly interested in private customers' accounts, encouraging them to use their current account, deposit account, savings account, and credit facilities. They will lend money, against securities, in the forms of overdrafts and loans, pay accounts regularly by standing orders, and transfer credits through the bank Giro system. Essentially the difference between the merchant and commercial banks is the latter's availability to customers with their numerous branches throughout the UK, their low charges, and the laws which govern the way each organization handles its affairs. The 'big four' commercial banks are Barclays, Lloyds, Midland, and National Westminster.

Commercial bank facilities in the UK

Current accounts

Current accounts can be used by anyone in the UK provided they can supply a reference or references. The advantages of this account include cheque payments, if there are funds in the account. As a matter of extra security the customer, when paying by cheque, is required to provide a cheque card, which makes the bank responsible for the cheque passed, up to the limit stated on the card.

The card also acts as a cash card allowing money to be drawn from cash dispensers even when the bank is closed.

Although cheques can be drawn immediately, they will take three working days before the amount is debited or credited to an account.

When depositing cash or cheques, a paying-in slip is used to record the deposit, its counterfoil, with the bank's stamp and cashier's initials, being proof that the deposit was made.

It is possible to overdraw an account, i.e. take out more money than there is in credit, but this can only be done with the bank manager's agreement, otherwise the customer's cheque may not be honoured. However, many banks offer special current accounts where overdraft facilities are automatically included, for an extra charge.

As a rule interest is not paid on current account credit balances and charges are made for transactions. However, there are special current accounts, which have certain requirements, e.g. a minimum balance, and minimum amount for cheques being passed, which offer interest.

Many firms have more than one current account, e.g. a No. 1 account for paying wages and overheads, and a No. 2 account for paying suppliers.

Deposit accounts

Deposit accounts do pay interest to a maximum established by the bank, but the customer can be asked to give notice of withdrawal, and can only withdraw on a withdrawal slip handed in at the branch where the account is kept. No cheque book is supplied, and there are no overdraft facilities.

Banks offer various types of other accounts, e.g. a budget account, where the bank will pay a customer's bills spread over a twelve-month period. And there are numerous savings accounts on which interest is paid according to the credit balance in the account and the period it is left for. With some of these accounts there are penalties for withdrawing money before the agreed date.

Credit cards

Credit cards offer credit facilities to customers making purchases in shops, and for a basic charge plus interest, calculated monthly, the customers can buy goods up to a limit on most cards, but with, say, a Barclay's Premier Card, the limit can be over £7,000. Access, Barclaycard, and Visa are internationally recognized. Some of these cards, such as Barclay's Connect act as a cheque and cash card, and can be used for automatic debiting when a customer pays for goods in a shop, this card is also internationally recognized.

Standing orders and direct debits

Customers making regular payments, such as rent, or mortgage repayments, can ask the bank to transfer the money to the payee on a particular day every month. A standing order or direct debit is one method of doing this. In the latter case, however, once the instructions are given, for, say a period of a year, the order cannot be cancelled unless the payee agrees.

Loans and overdrafts

Loans and overdrafts for large amounts are usually allowed on a formal agreement. A loan will usually be covered by a negotiable security, e.g. shares, with repayment specified on the agreement. Interest in the UK is not controlled by law, but market forces. The money for a loan is immediately deposited in the customer's account. With an overdraft, however, the customer is given permission to overdraw an account up to a certain limit.

Since the early 1980s, banks have had more freedom in lending and investing. Mortgages, for example, once the privilege of the Building Societies, who specialized in lending money to customers to buy houses, are now offered by banks, with the bank buying the property for the customer and the customer repaying over a twenty/ twenty-five-year period. In addition, there is a wide range of other financial and investment services the banks offer. However, unlike most banks in the world, the UK banks do not generally act as brokers/dealers on the Stock Market for customers, but will use their own broker to buy securities on a customer's behalf.

The other services the banks offer include acting as trustees and executors, offering insurance, foreign exchange, and discounting services, and negotiating documents.

Exercises

Ex. 1. Complete the sentence. Use an appropriate form of each word in the box to complete the text below.

loan	owe	debt	borrow	repay	lend

Joe took out a (1)…….. so that he could buy a car. The car cost £10,000 and the bank agreed to (2)……… him £8,000. About a year later, Joe lost his job and started to worry about his (3)……… . How could he (4)……… it with no salary coming in? Out of the £8,000 that he had originally (5)………, he still (6)……… more than £5,000.

Ex. 2. Word search. Find a word or phrase in the box that has a similar meaning.

savings	term	withdrawal	afford	current rate	facility

1) ongoing opportunity to get extra credit without asking the lender

………

2) period of time in which a loan must be repaid

………

3) rate of interest which is set at the present time

……… ………

4) action of taking money from your bank account

………

5) money which you deposit with a bank, which earns interest for you

………

6) if you can do this, you are able to pay for something because you have enough money

………

Ex. 3. Kevin is phoning his bank. Use expressions below to replace each of the underlined items.

interest rate; account balance; interest; transfer; current account; an overdraft; bank statement; banking charge

1. I want to <u>swap</u> £500 from my savings account to my <u>ordinary account</u>, because I don't want to have <u>the situation where I've spent more than I've put in</u>.

2. How much is in my savings account? What's the <u>amount in there at the moment</u>?

3. On the savings account, what's the <u>percentage</u> you pay to savers every year?

4. How much <u>extra money have you added</u> to my savings account in the last three months?

5. On the last <u>list of all the money going out of and coming into the account</u>, there's <u>an amount that you've taken off the account</u> that I don't understand.

Ex. 4. Match the sentence beginnings (1-3) with the correct endings (a-c).

1. Investment companies are reporting a sharp increase in the number of

2. Consumers are using their windfall gains from building society

3. Peter is 26 and is wondering whether to join his company pension scheme. He would contribute a small percentage of his salary and his employer would make an equivalent contribution.

a) If he decides to stay for at least two years he should join. If not, he should take out a personal pension.

b) small investors who are investing in unit trusts.

c) demutualizations to buy new furniture or a new car.

Ex. 5. A. Match these verbs and nouns.

1) pay off;	a) interest;
2) earn;	b) your finances;
3) set up;	c) a mortgage;
4) run.	d) a loan facility.

B. Use an appropriate phrase from section A to complete each of the sentences.

1. He ……… of 8% on his account.

2. She wanted to start her own business, so she asked the bank to ………

3. She lost her job and with no regular income it was difficult to ………….

4. He was an accountant, so it was not surprising that he was good at ……….

Ex. 6. A Write these words and phrases in the appropriate columns.

consist of	contribute to	give rise to	compared to	ensure
shift transition	be composed of	be run by	take over from	
be in charge of	be headed by	undertake	relatively small	

organisational structure	**responsibility**	**change**	**comparison**
…consist of…..	*…contribute to…*	*…give rise to….*	*..compared to…*
…………………	…………………	…………………	…………………
…………………	…………………	…………………	
…………………	…………………	…………………	

B. Match these terms with their definitions.

1) in accordance with;
2) versus;
3) legal mandate;
4) voting pact;
5) outmaneuvre.

a) an obligation conferred by law;
b) to get an advantage by being more skilful than your opponents;
c) in opposition to;
d) conforming to a law or regulation;
e) an agreement between several parties to vote in the same way for their own advantage.

Ex. 7. Complete the chart.

verb	**adjective**	**noun**
supervise	supervisory	1) …*supervision…*
advise	2) ……………	Advice
participate	3) ……………	4) ……………

(de)stabilize	5) ……………	(de)stabilization
influence	influential	6) ……………

Ex. 8. Complete these sentences about Central Banks using the words in the box.

Central Banks, such as the Bank of England, the Federal Reserve Board in the US, and the Bundesbank in Germany:

act	control	function	influence
fix	implement	issue	supervise

1. ……… as banks for the government and for other banks.
2. ……… monetary policy – either the government's, as in Britain, or their own, if they are independent, as in Germany and the USA.
3. ……… the money supply, measured by different aggregates such as MO, Ml, M2, M3, etc.
4. ……… the minimum interest rate.
5. ……… as lender of last resort to commercial banks with liquidity problems.
6. ……… coins and bank notes.
7. ……… (floating) exchange rates by intervening in foreign exchange markets.
8. ……… the banking system.

Ex. 9. Complete this paragraph using these words.

assets	cash	interest	liquid	maturity	reserve

Because a commercial bank can lend most of the money deposited with it to other borrowers, who in turn may lend it to another borrower, each sum of money deposited in a bank is multiplied several times. To ensure the safety of the banking system, central banks impose (1)……… requirements, obliging commercial banks to deposit a certain amount of money with the central bank at zero (2) ……… . Central banks in different 'countries also impose different "prudential ratios" on commercial banks. These are ratios between deposits and liquid (3)……… that are considered sufficient to meet demands for (4)……… (A bank's assets are its loans, which should, in theory, all be paid back one day, and its liabilities are the customers' deposits, which can all be withdrawn one day.) For example, a bank's capital ratio is between its capital and reserves on the one hand, and its total assets on the other. The reserve asset ratio is between deposits with a (5)……… of under two years, called "eligible liabilities," and reserve assets, which include cash and assets that are (6)……… – i. e. quickly convertible into cash – such as reserve deposits held by the central bank, and securities such as treasury bills.

Extensive Reading

Easy Money

Andrew Buxton, chairman of Barclays, ought to have looked a troubled man as he presented his bank's annual results last week. In the last year, Barclays had lost a chief executive, dropped £205m on rash trading in the bond markets, another £153m on bad loans to Russian customers, and had let its operating costs run out of control.

Yet Barclays somehow managed to make profits of £1.9bn.

In the same year, Lloyds TSB reported a 14 per cent increase in its pre-tax profits to £3.29bn, equivalent to an after-tax return on shareholders' equity of 33 per cent. And other British banks made similar profits.

So where do these profits come from? And why have they not been lost to the competition from other institutions?

The first part of the answer lies in the condition of the UK economy at large. In principle, bank profits are built for the most part on the volumes of loans they make and the deposits they collect; the margins between the interest rates for these two sides of their balance sheet gives them their profits (or losses). But in a mature market such as the UK, it is hard for a very large bank to expand loan and deposit volumes much beyond the level of the economy as a whole, and even harder to widen net interest margins.

The biggest factor in bank profits has therefore been the level of bad debts. In 1992, when banks' accounts showed the worst of the effects of the last UK recession, the seven principal banks set aside £6.45bn of bad debt provisions between them. Last year, the total for the same group is estimated to have been around £2.6bn.

The other side of British banks' profitability reflects an interplay between technology-based efficiency gains and customer inertia.

Banks have become more efficient over the past decade, stripping out costs as new computer systems and telecommunications networks have enabled them to set up industrial - scale processing plants for tasks that used to be handled by clerks in the back of each branch.

Branches are expensive to run, and the network has been whittled down from a peak of 21,800 branches in 1985 to around 15,000 today. Each branch, too, has fewer staff.

One of the most frequent complaints is the disappearance of the human touch in the bank branch. Yet customers have reaped most of the benefits of the banks' efficiency gains – cash dispensed at the touch of a button by machines, instant account balances, transfers and even loans available over the telephone.

However, British banks remain years behind their French rivals in electronic banking. Nor is the UK's money transmission system the most consumer-friendly in the world. Customers in New Zealand and Canada get deposits credited instantaneously, while in the UK they must wait days.

Competition in financial services has been steadily increasing since the 1980s. Yet the British consumer is more likely to swap a wife (or husband) than a bank. With such undemanding customers, leading banks could have years of fat profits ahead of them.

Comprehension

A. Decide whether these statements are True (T) or False (F) according to the information in the text above. Find the part of the text that gives the correct information.

1. Barclays' profits were higher than those of Lloyds TSB.
2. Banks in the UK can make more profit by charging higher interest on loans.
3. The provision for bad debts for the main UK banks was much higher in 1992.
4. The banks do not employ as many clerks as they did in the 1980s.
5. Customers prefer to deal with machines rather than talk to bank staff.
6. British banks are the most advanced in the world.
7. British banks face a lot of competition from other institutions offering financial services.
8. The British don't complain very much about the service they receive from their banks.

B. Look at the text and find the answers to these questions.

1. Which of the following reasons are given in the text to explain the British banks' profitability?

a) trading in bond markets;
b) reduction in the number of branches;
c) effective management;
d) reduction in the level of bad debts;
e) interest from loans to overseas customers;
f) large-scale processing of transactions;
g) competitive interest rates attracting more customers;

h) British customers preferring to stay with the same bank;

i) the strength of the economy.

2. Which of the following examples of improved banking technology are mentioned either directly or indirectly in the text?

a) ATMs;

b) smart cards;

c) credit cards;

d) telephone banking;

e) electronic banking.

Exercises on Vocabulary

Ex. 1. Match these terms with their definitions.

1) net interest margin;	a) money reserved to cover bad debts;
2) provisions;	b) profit as a percentage of shareholders' capital;
3) return on equity;	c) difference between interest income and interest payments;
4) money transmission system.	d) method of transferring funds from one person to another.

Ex. 2. Replace the underlined items with words or phrases from the text above that have a similar meaning.

1. Banks are affected by the state of the UK economy in general. *at large.*
2. The UK has a very established loan market.
3. It's difficult for a large bank to increase loan and deposit volumes.
4. The UK's seven principal banks set aside about £6.5bn of bad debt provision.
5. Banks have closed thousands of branches over the last ten years.
6. Many routine banking tasks are dealt with by computer.

7. A bank branch is expensive to <u>operate</u>.
8. Technologically, British banks are behind their French <u>competitors</u>.
9. Few people <u>change</u> banks in Britain
10. Most UK banks still make <u>huge</u> profits.

Ex. 3. Choose the best explanation for each of these words or phrases from the text.

1) troubled
   a) worried;
   b) pleased.
2) rash trading
   a) trading without enough care and consideration;
   b) trading in large volumes.
3) let its operating costs run out of control
   a) allowed its costs to go over the budget;
   b) allowed its costs to be checked by external auditors.
4) customer inertia
   a)customers don't want to move or change anything;
   b) customers expect a lot of improvements in service.
5) stripping out costs
   a) adding to costs;
   b) removing costs.
6) reaped most of the benefits
   a) collected most of the benefits;
   b) lost most of the benefits.

Ex. 4. Find a word or phrase in the text that has a similar meaning.

a) total amounts or quantities

   v*olumes………*

b) system of local offices spread around the country

   b*………* n*………*

c) highest level recorded over a period

p………

d) designed so as to be of maximum benefit to the consumer

c……… - f………

e) when the value of a deposit is added to an account balance

c………

f) banks with the biggest share of the market

l……… b………

Ex. 5. Match the first half of each sentence with the most appropriate second half. Notice the words that are used in each sentence to mark a contrasting idea. (These words are in italics.)

1. Barclays Bank had a troubled year
2. Banks make a profit on their net interest margin
3. British banks have introduced a range of technically-advanced services
4. Canadian customers get deposits credited instantaneously

a) *while* UK customers have to wait a few days.

b) *yet* it managed to make a lot of profit.

c) *but* it is difficult for them to widen their margins.

d) *but* they are still behind the French in electronic banking.

Discussion

1. What kinds of bank accounts are offered by the banks in our country?
2. What is a mortgage? How do people usually arrange and repay their mortgages?
3. Do you think bank customers are happy with the way their bank accounts and mortgage accounts are handles? What could be done to improve the system?
4. If possible, find the annual results of a bank in our country and report on its profitability.

5. How do British banks differ from banks in our country in the way they make their profits?

Bank Mergers

Survival of the biggest

How big is big? A wave of mergers and acquisitions has completely reshaped the face of the international finance industry. Across a range of financial sectors, the tables are being cleared for a handful of giants, with room still for niche players but little space for the middle-sized.

I. The most dramatic changes came in the investment banking area, where a range of specialised or regional investment banks found new commercial banking parents. Many investment bankers now believe the battle for membership of dominant firms is reaching its closing stages.

"In a lot of industries – telecoms, pharmaceuticals, for example – it is not unusual to see five global giants survive. Five seems to be the magic number," says Hans de Gier, head of Warburg Dillon Read investment bank. "In investment banking, too, you will see a handful of global firms which have the cost base but also have the revenue base to support this vision."

Some banks have already reached the conclusion that they cannot realistically hope to be part of that select group, and have scaled back their investment banking ambitions. In the UK, both Barclays and National Westminster have sold most of their equity operations and now concentrate solely on debt – more closely linked to their traditional banking business.

Spiralling pay packets for traders and investment bankers have made it difficult for the midsized contenders to stay in the race. They have to pay people just as much or more, but don't get as much revenue out of them as a global firm.

II. In the retail banking sector, some of the talk sounds familiar. Edward Crutchfield, chairman of First Union, recently warned smaller traditional banks that they were a "declining, dying business. Merger mania will last until there are 10 or 12 or maybe 15 dominant financial services."

But with very few exceptions, consolidation in the retail banking sector remains national in character. ING’s takeover of Banque Bruxelles Lambert in Belgium represents one example of a cross-border deal. But most efforts to cross national boundaries have not worked.

In the US, there remains plenty of room for consolidation without stretching overseas. The number of commercial banks has shrunk from 11,462 in 1992 to 9,215 this year, but that still leaves the US with far more financial institutions in proportion to its population than comparable countries.

In countries such as the UK and France there may be room for further consolidation, but banks in the Netherlands and Ireland already have to look abroad for a second home market.

Retail banking has proved resistant to economies of scale. In specific activities such as credit card processing, unit costs fall rapidly with size. In banking more generally, however, the complexity of operations reduces the benefits resulting from size.

That may be changing with increasing IT use in banking. The cost of software development is one of the biggest factors with 14 banks estimated to be spending more than $1 billion a year on IT.

Comprehension

1. Mark these statements T (true) or F (false). Find the part of the text that gives the correct information.

a) In investment banking, it is important to be very big in order to be competitive.

b) Middle-sized banks may survive, but small ones have no chance.

c) Barclays, a UK bank, has increased its investment banking activities.

d) It is difficult for middle-sized banks to pay the high salaries demanded by stock traders.

e) Edward Crutchfield's comments were about retail banking.

f) Mergers between retail banks are mostly international.

g) There are more financial institutions in relation to the population in France than in the USA.

h) Irish banks need to become international if they want to expand.

i) In retail banking it is difficult to save costs by increasing size.

j) Credit card processing is cheaper when done on a large scale.

k) One of the biggest costs for banks nowadays is software development.

2. The article can be divided into two sections, each dealing with a different aspect. These are marked I and II in the text. What is each section about?

3. Find three kinds of bank which are mentioned in the article.

Exercises on Vocabulary

Ex. 1. Match these terms with their definitions.

1) consolidation;	a) division of a bank that deals with share issues and share trading;
2) equity operations;	b) bank that acts as an intermediary between companies and the investing public;
3) unit cost;	c) bringing together of two or more companies, as in a merger;
4) cost base;	d) provision of basic banking services to individuals and companies;
5) niche;	e) place in the market for a specialised product or service;
6) parent company;	f) company which owns more than 50% of another company;
7) retail banking;	g) total cost divided by the number of items that are handled;
8) investment bank;	
9) commercial bank;	

h) large size providing the means for costs to be minimised;

i) bank involved in international trade and corporate banking.

Ex. 2. Find a word or phrase in the text that has similar meaning.

1) people or companies who compete to win something
   contenders………
2) temporary phase when everybody wants to merge
   m*………* m*………*
3) merger or takeover between companies in different countries
   c*………* - b*………* d*………*
4) principle that the larger a company is, the lower its average costs are
   e*………* of s*………*

Ex. 3. Write these words or phrases in the appropriate columns.

expand	reduce	scale back	shrink	stretch	spiral	decline	fall

Words meaning to get bigger	Words meaning to get smaller
…..expand…………………..	*…..reduce…………………..*
………………………………	*………………………………*
………………………………	*………………………………*

Ex. 4. Choose the best explanation for each of these words or phrases from the text.

1) wave of mergers
   a) large number of mergers taking place all at once;

b) tendency for a few mergers to take place.

2) reshaped the face of the international financial industry

a) changed it completely; b) improved it.

3) tables are being cleared

a) new game is about to start with different players taking part;

b) the game is over.

4) reaching its closing stages

a) has finished; b) nearly at an end.

5) handful

a) five; b) small number.

6) vision

a) view of the future; b) plan or policy.

7) concentrate solely on

a) concentrate mainly on; b) concentrate only on.

8) comparable countries

a) countries that are similar in size;

b) countries that have a similar level of economic development.

9) has proved resistant to

a) has benefited from; b) has been unaffected by.

10) unit costs fall rapidly with size

a) unit costs fall rapidly as size increases;

b) unit costs fall rapidly as size decreases.

Company Finance

Key Vocabulary

Accountancy – the profession or work done by **accountants** in keeping the financial record of organizations.

Accountant – a professional person whose job is to keep and check the financial records of an organization, or to advise clients on tax and other financial matters.

Accounting equation – one of the relationships between assets and liabilities used in accounting.

Accounting standard / Accounting rule – an official instruction on how something must be treated and presented in accounts.

Accounts / Books of account – the complete set of records showing money coming into and going out of a business, its profits, and its financial situation.

Accounts payable (US) / Payables (GB) – loans, debts etc owed by a company, especially those which are expected to be paid within the financial year.

Accounts receivable (US) / Receivables (GB) – amounts of money due to be paid to a company.

Amortisation / Depreciation – gradual going down of value for something, for example because of wearing out of machinery or equipment.

Annual report – a report presented each year by the directors of a company to the members and shareholders, containing financial information about the company's trading activities and the documents the company must produce by law, which are the **balance shee**t, the **profit and loss account** and the **auditors'** and **directors' reports**.

Assets – something belonging to an individual or business that has value or the power to earn money. These include **current assets** (money in the bank, investments that can easily be turned into money, money that customers owe, stocks of goods that are going to be sold); **fixed assets** (equipment., machinery, buildings and land); **intangible assets** (things which you cannot see such as goodwill: a company's good reputation with existing customers, and brands: established brands have the power to earn money).

Audit – an official examination of a person's or organisation's accounts by an expert (an **auditor**) to check that they are true and honest. An audit can take several days even for a fairly small company.

Bail-out / Bailout – providing money to a person or organization to get them out of financial trouble.

Balance sheet – a document showing a company's financial position and wealth at a particular time. The balance sheet is often described as a "photograph" of a company's financial situation at a particular moment.

Being in the black – means that business is making a profit.

Being in the red – means that the business owes more money than it has, or makes a loss in a particular period of time.

Bookkeeper – a person whose job is to make an official record of all the money received into and paid out from a business.

Book value – the value of an asset at any one time.

Bottom line (inf.) – the final figure showing a company's total profit or loss.

Capital – the money that a company uses to operate and develop.

Cash – money in the form of notes and coins, rather than cheques or credit cards, shares or bonds.

Cash flow / Cashflow – the amount of money coming into and going out of a company, and the timing of it; profit for a particular period, defined in different ways by different businesses.

Consolidated accounts – accounts showing the combined trading results and financial position of a group of companies.

Core business / Core activity / Core product – the business activity etc that makes most money for a company and that is considered to be its most important and central one.

Corporation tax – in Britain, a tax on the profits of companies, both on profits paid as **dividends** (payments to shareholders) and **reserves** (profits from a particular period of time not paid to shareholders in that period).

Costs – the money that a business or an individual must regularly spend.

Creditor – a person or business to whom another person or business owes money.

Current liabilities – debts that have to be paid within a year.

Debtor – a person, organization or country that owes money.

Directors' report – a statement by a company's directors in its annual accounts giving the directors' opinion of the state of the company, and how much should be paid to people owning shares in the company.

Dividends payable – a figure included in a company's accounts showing the amount that has been or will be paid in dividends for a particular period of time.

Equity – the capital that a company has from shares rather than from loans.

Expenditure – the total amount that the government, organization, or person spends during a particular period of time.

Financial accounts – accounts providing data about financial performance.

Financial statement – a statement showing the financial state of a business, at the end of a particular period of time, including its **balance sheet**, **profit and loss account, cash-flow statement** and other necessary information.

Gearing / Leverage – the amount of loan capital that a company has in relation to its share capital. A company with a lot of borrowing in relation to its share capital is **highly leveraged** or **highly geared**. A company that has difficulty in making payments on its debt is **overleveraged**.

Goodwill – the value that a business has in addition to the value of its **assets**. Goodwill includes things such as the good reputation that a business has, the names of its products, and the good relations it has with its customers.

Gross profit – a company's profit before certain costs and taxes are taken away.

Income statement (US) / Profit and loss account (GB) – a financial document showing the amount of money earned and spent in a particular period of time by a company.

Liabilities – the company's debts to suppliers, lenders, tax authorities, etc.

Loan capital – capital in the form of money lent to a company as loans, bonds, or debentures, not shares.

Long-term liabilities – debts payable in more than a year.

Net assets / Owners' equity / Shareholders' equity / Stockholders' equity – the difference between the value of a company's assets and its liabilities other than those to shareholders. In principle, this is what the company would be worth to shareholders if it stopped trading, its assets were sold, and its debts paid.

Net profit – a company's profit after certain costs and taxes are taken away.

Overheads – a company's general costs for activities not related to particular products.

Payables – loans, debts etc owed by a company, especially those which are expected to be paid within the financial year.

Pre-tax profit / Pre-tax loss – one before tax is calculated.

Profit – money that you gain from selling something, or from doing business in a particular period of time, after taking away costs.

Revenue – money that a business or organization receives over a period of time, especially from selling goods or services.

Share capital – capital that a company has from investors who have bought shares.

Turnaround – a complete change in a company's affairs from a bad situation to a good one.

Turnover – the amount of business done in a particular period, measured by the amount of money obtained from customers for goods or services that have been sold.

Warm-up

1. Why do companies need to know how they are performing?

2. What information do management accounts and financial accounts provide?

3. What is an annual report? Do all companies present their accounts to the public in an annual report?

4. What are the three documents which are included in any annual report? Give their names (they may have several names). What information do they contain?

Intensive Reading

Financial Statements

Companies are required by law to give their shareholders certain financial information. Most companies include three financial statements in their annual reports.

The profit and loss account shows revenue and expenditure. It gives figures for total sales or turnover (the amount of business done by the company during the year), and for costs and overheads. The first figure should be greater than the second: there should generally be a profit – an excess of income over expenditure. Part of the profit is paid to the government in taxation, part is usually distributed to shareholders as a dividend, and part is retained by the company to finance further growth, to repay debts, to allow for future losses, and so on.

The balance sheet shows the financial situation of the company on a particular date, generally the last day of its financial year. It lists the company's assets, its liabilities, and shareholders' funds. A business's assets consist of its cash investments and property (buildings, machines, and so on), and debtors

– amounts of money owed by customers for goods or services purchased on credit. Liabilities consist of all the money that a company will have to pay to someone else, such as taxes, debts, interest and mortgage payments, as well as money owed to suppliers for purchases made on credit, which are grouped together on the balance sheet as creditors. Negative items on financial statements such as creditors, taxation, and dividends paid are usually printed in brackets thus: (5200).

The basic accounting equation, in accordance with the principle of double-entry bookkeeping, is that Assets = Liabilities + Owners' (or Shareholders') Equity. This can, of course, also be written as Assets – Liabilities = Equity. An alternative term for Shareholders' Equity is Net Assets. This includes share capital (money received from the issue of shares), sometimes share premium (money realized by selling shares at above their nominal value), and the company's reserves, including the year's retained profits. A company's market capitalization – the total value of its shares at any given moment, equal to the number of shares times their market price – is generally higher than shareholders' equity or net assets, because items such as goodwill are not recorded under net assets.

A third financial statement has several names: the source and application of funds statement, the sources and uses of funds statement, the funds flow statement, the cash flow statement, the movements of funds statement, or in the USA the statement of changes in financial position. As all these alternative names suggest, this statement shows the flow of cash in and out of the business between balance sheet dates. Sources of funds include trading profits, depreciation provisions, borrowing, the sale of assets, and the issuing of shares. Applications of funds include the purchase of fixed or financial assets, the payment of dividends and the repayment of loans, and, in a bad year, trading losses.

If a company has a majority interest in other companies, the balance sheets and profit and loss accounts of the parent company and the subsidiaries are normally combined in consolidated accounts.

Comprehension

A. According to the text, are the following True or False?

1. Company profits are generally divided three ways.
2. Balance sheets show a company's financial situation on 31 December.
3. The totals in balance sheets generally include sums of money that have not yet been paid.
4. Assets are what you own; liabilities are what you owe.
5. Ideally, managers would like financial statements to contain no items in brackets.
6. Limited companies cannot make a loss because assets always equal shareholders' equity.
7. A company's shares are often worth more than its assets.
8. The two sides of a funds flow statement show trading profits and losses.
9. Depreciation is a source rather than a use of funds.
10. A consolidated account is a combination of a balance sheet and a profit and loss account.

B. The text above contains various British terms that are not used in the USA. Match up the following British and American terms.

1) creditors;	a) accounts payable;
2) debtors;	b) accounts receivable;
3) overheads;	c) income statement;
4) profit and loss account;	d) overhead;
5) shareholder;	e) paid-in surplus;
6) share premium.	f) stockholder.

1		2		3		4		5		6	

Balance Sheet

Assets

A company's balance sheet gives a 'snapshot picture' of its assets and liabilities at the end of a particular period, usually the 12-month period of its financial year. But the snapshot could be taken on any day of the year.

An asset is something that has value or the power to earn money for a business. Assets include:

1) **current assets:**

cash at the bank;

securities: investments in other companies;

stocks, of **raw materials, unfinished goods** and **finished goods**, that are going to be sold;

debtors: money owed to the company by customers;

2) **fixed** or **tangible assets**: equipment, machinery, buildings, land.

3) **intangible assets**: for example, goodwill, the value that the company thinks it has as a functioning organization with its existing customers, and in some cases brands, because established brands have the power to earn it money, and would have a value for any potential buyer of the company.

However, there are some things of value that are never shown on a balance sheet, for example the knowledge and skills of the company's employees.

Liabilities

A company's liabilities are its debts to suppliers, lenders, bondholders, the tax authorities, etc. Current liabilities are debts that have to be paid within a year, for example:

creditors: money owed to suppliers etc;

overdrafts: when the company spends more money than it has in its bank accounts;

interest payments that have to be paid in the short term;

tax payable.

Long-term liabilities are debts that have to be paid further into the future, for example long-term bank loans and bonds.

When you deduct a company's liabilities (everything it owes) from its assets (everything it owns), you are left with shareholders' funds. In theory, this is what would be left for shareholders if the business stopped operating, paid all its debts, obtained everything that was owed to it and sold all its buildings and equipment.

Shareholders' funds as shown in a company's accounts includes:

the share capital the shareholders have invested.

the profits that have not been paid out in dividends to shareholders over the years, but have been kept by the company as retained earnings, also called reserves.

Profit and Loss Account

Profit and Loss

The profit and loss (P&L) account records the money we make (or lose!) during a particular reporting period, using the accruals principle. In our case, our accounts record sales from books, magazines, television advertising, etc during the period – this is the money received from sales, minus the labour and cost of materials used to produce them, which is called the **cost of goods sold (COGS).**

Then we take away **selling and general expenses** – the costs related to making these sales – employees' salaries, rent for buildings, etc. There is also the cost of depreciation – this is not an actual sum of money paid out, but is shown in the accounts to allow for the way that machinery wears out and declines in value over time and will have to be replaced. This leaves us with our **operating profit**.

Then we subtract the **interest payable** on money we have borrowed in the form of bonds and bank loans. This gives the **profit on ordinary activities before tax**, or **pre-tax profit**.

Sometimes there are **exceptional items** to report, for example the cost of closing a particular operation, but fortunately this does not happen very often. Of course, we pay tax on our profits and in the UK this is called **corporation tax.**

Note: Sales are also referred to as turnover in BrE. The profit and loss account is called the income statement in the USA.

Earnings

From the profit after tax, also referred to as **earnings**, we usually pay dividends to shareholders, and you can see the figure for **dividends per share**. However, when business is bad, we may not do this – we may omit, pass or skip the dividend.

Naturally, we don't pay out all our profit in dividends. We keep some to invest in our future activities – these are **retained earnings**, or reserves.

You can look at profitability in terms of **earnings per share (EPS)**, even if some of these earnings are retained and not paid out in dividends.

Cash Flow Statement

The cash flow statement shows money actually coming into and going out of a company in a particular period: cash inflows and outflows.

Types of cash flow

Net cash flow from operations is the money generated by the sales of the company's goods or services, minus the money spent on supplies, staff salaries, etc. in the period.

Net cash flow from investment activities is the result of:

purchases of securities (bonds, shares, etc.) in other companies;

money received from sales of securities in other companies;

loans made to borrowers;

loans repaid and loan interest paid by borrowers;

purchases of land, buildings and equipment;

sales of land, buildings and equipment;

Net cash flow from financing activities is the result of:

money received through short-term borrowing;

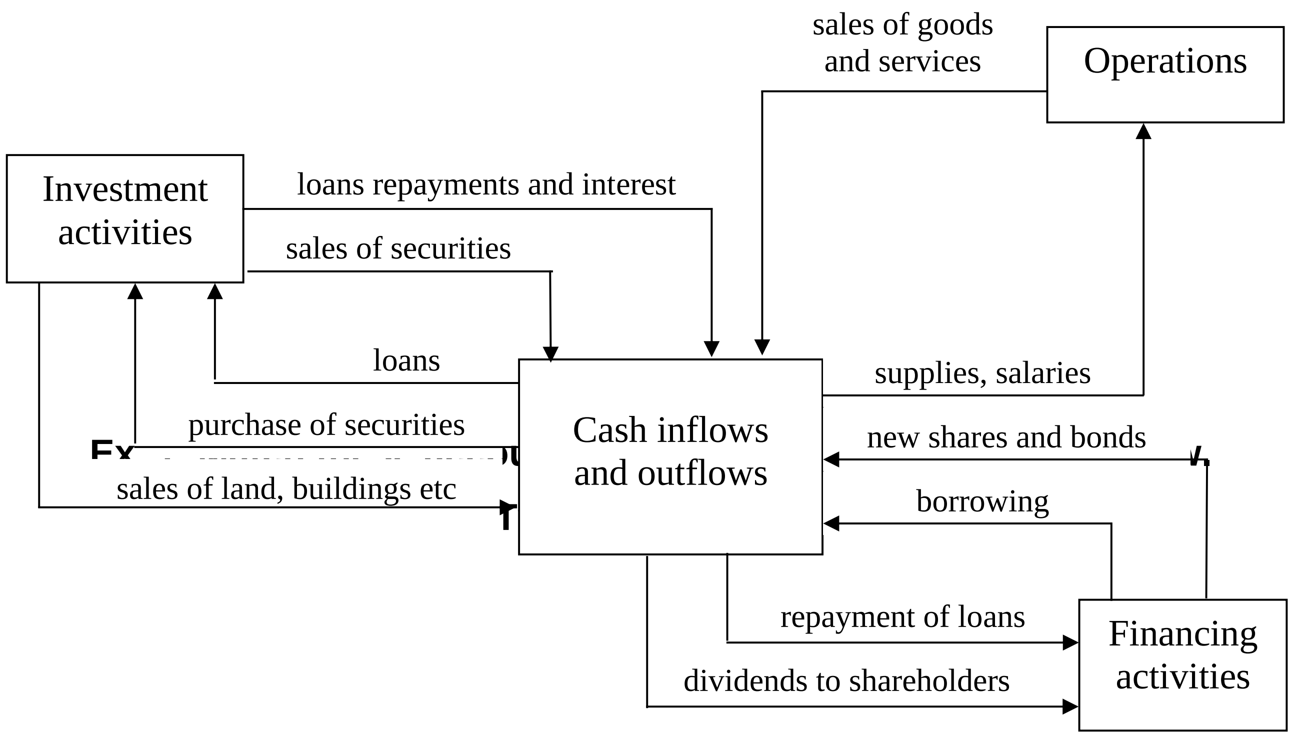
money repaid in short-term borrowing;

money received through issuing new shares in the company;

money received through issuing new bonds in the company;

dividends paid to shareholders.

Adding and subtracting the figures above, the company calculates its net cash position at the end of the year. Investors check the cashflow statement to see how the company is obtaining and using its cash – how much it made from its operations, how much it has raised through new share issues, etc.



current or circulating or floating assets;

fixed or capital or permanent assets;

intangible assets;

liquid or available assets

net assets

net current assets or working capital

wasting assets

1. ……... are anything that can quickly be turned into cash.

2. ………are the excess of current assets (such as cash, inventories, debtors) over current liabilities (creditors, overdrafts, etc.).

3. ………are those which are gradually exhausted (used up) in production and cannot be replaced.

4. ………are those which will be consumed or turned into cash in the ordinary course of business.

5. ………are those whose value can only be quantified or turned into cash with difficulty, such as goodwill, patents, copyrights and trade marks.

6. ………, or shareholders' equity, on a business's balance sheet, is assets minus liabilities (which is generally equal to fixed assets plus the difference between current assets and current liabilities).

7. ………, such as land, buildings and machines, cannot be sold or turned into cash, as they are required for making and selling the firm's products.

Ex. 2. Insert the following words in the gaps in the text.

Cash Flow

insolvent	liquidity	net	positive
reputation	reserves	suppliers	working

Cash flow is essentially a company's ability to earn cash. It is the amount of cash made during a specified period that a business can use for investment. (More technically, it is (1)……… profit plus depreciation plus variations in (2)………). The flow of funds is cash received and payments made by a company during a specific period – except that many people also use the term cash flow to describe this! New companies generally begin with adequate funds or (3)……… capital for the introductory stage during which they make contacts, find customers and build up sales and a (4)……… But when sales begin to rise, companies often run out of working capital: their cash is all tied up in work-in-progress, stocks and credit to customers. It is an unfortunate fact of business life that while (5)……… tend to demand quick payment, customers usually insist on extended credit, so the more you sell, the more cash you need. This provokes a typical (6)……… crisis: the business does not have enough cash to pay short-term expenses. A (7)……… cash flow will only reappear when sales growth slows down and the company stops "overtrading". But companies that have not arranged sufficient credit will not get this far: they will find themselves (8)……… – unable to meet their liabilities.

Note. In the US the word inventory is used instead of *stock(s).*

Ex. 3. Match up these words to make word partnerships from Exercise 2, then match them with the definitions below.

1) extended;	a) capital;
2) working;	b) profit;
3) cash;	c) crisis;
4) net;	d) credit;
5) liquidity.	e) received.

1) money already paid;
2) the money and stocks of goods held by a company which are used to produce more goods and to continue trading;
3) longer than normal payment terms;
4) short of cash;
5) the money made from selling goods after the deduction of all associated costs.

Ex. 4. Complete the text by inserting the correct form of the verbs in the box.

Depreciation

allow	charge	deduct	encourage
exist	increase	involve	lose
convert	spread	wear out	write off

Fixed assets such as buildings, plant and machinery (but not land) gradually (1)……… value, because they (2)………or decay, or because more modern and efficient versions are developed. Consequently, they have to be replaced every so often. The cost of buying or replacing fixed assets that will be used over many years is not (3)………from a single year's profits but is accounted for over the several years of their use and wearing out. This accords with the matching principle that costs are identified with related revenues. The process of (4)………an asset into an expense is known as depreciation.

Various methods of depreciation (5)………, but they all (6)……..estimating the useful life of the asset, and dividing its estimated cost (e.g. purchase price minus any scrap or secondhand value at the end of its useful life) by the number of years. The most usual method of depreciation is the straight line method, which simply spreads the total expected cost over the number of years of anticipated useful life, and charges an equal sum each year. The reducing or declining balance method (7)………smaller amounts of an asset's value each year in cases where maintenance costs for the use of an asset are expected to (8)……… over time. The annuity system of depreciation (9)……… the cost of an asset equally over a number of years and (10)……… this, and an amount representing the interest on the asset's current value, each year.

Some tax legislations (11)………accelerated depreciation: writing off large amounts of the cost of capital investments during the first years of use; this is a measure to (12)……… investment.

Ex. 5. Add appropriate words to these sentences.

1. A worn out or obsolete machine has to be ……… .
2. Land, unlike machines, usually appreciates – i.e. it ………in value.
3. To depreciate an asset accurately, you have to ………its useful life.
4. The materials that make up an obsolete machine can be recycled if it is sold for ……… .
5. A percentage of the value of fixed assets is ……… against or ……… from the profits, and becomes a source of funds.
6. Writing off value means ………it.
7. Keeping a machine in good working condition is called ……… .
8. Accelerated depreciation allows firms that make capital investments to pay less ……… .

Ex. 6. The following sentences make up a short text about cost accounting. Decide which order they should go in.

1. But to this have to be added all the factory's overheads – rent or property taxes, electricity for lighting and heating, the price of the machine used, the maintenance department, the stores, the canteen, and so on.
2. Finally, where a company does not want to calculate the price of specific orders or processes, it can use full costing or absorption costing, which allocates all fixed and variable costs to the company's products.
3. For example, if you produce 500 wooden door- knobs, each one requiring 100 grams of wood and taking the machine operator two minutes to make, you can easily calculate the direct cost.
4. It is fairly easy to calculate the prime cost or direct cost of a manufactured article.

5. One of these is job-order cost accounting, which involves establishing a price for an individual item or a particular batch (a quantity of goods assembled or manufactured together).

6. There are also lots of other expenses of running a business that cannot be charged to any one product, process or department, and companies have to price their products in such a way as to cover their administration and selling expenses, the finance department, the research and development department, and so on.

7. This is the sum of the direct costs of the raw materials or components that make up the product and the labour required to produce it, which, of course, vary directly with production.

8. This is impossible where production involves a continuous process as with steel, flour, or cement. In this case companies often use process cost accounting, which determines costs over a given period of time.

9. Various methods can be used to allocate all these expenses to the selling price of different products.

1		2		3		4		5		6		7		8		9	

Ex. 7. Complete the following sentences.

1. Manufacturers have to find a way of ……… all fixed and ………costs to their various products.

2. They have to cover the factory's ………, and things like administration and selling ……….

3. The direct cost of ……… and labour is easy to calculate.

Ex. 8. All the words below can be combined with account, accounts or accounting, in a two-word partnership: *e.g. bank account, accounts payable or tax accounting.* **Add the word account, accounts or accounting to each of the words below.**

1) ………holder;
2) ………methods;
3) ………day;
4) ………equation;
5) ………payable;
6) ………principles;
7) ………period;
8) ………procedures;
9) ………receivable;
10) ………standards;
11) ………book;
12) bank ………;
13) current ………;
14) deposit ………;
15) cost ………;
16) managerial ………;
17) numbered ………;
18) profit and loss ………;
19) savings ………;
20) tax ……….

Ex. 9. Now complete the following sentences.

1. Auditors are supposed to make sure that companies follow their stated ……… .
2. Companies can choose from a variety of ………, but they are not allowed to change them too often.
3. Lots of money obtained in dubious or illegal ways is deposited in ……… in Swiss banks.
4. The basic ………is Assets = Liabilities + Owners' Equity.
5. The ………at the London Stock Exchange usually lasts two weeks. It is followed by an ………on which all bills must be settled.
6. The ……… is one of the three basic financial statements.
7. ……… consist of money that is expected to be received. The contrary, ………, consist of money that is owed to other people.
8. The role of ………is to provide figures and statements that will aid decision-making.

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