Week 4 Class 1

"Credit risk, **which affects lending decisions**, increases in companies **that have unstable cash flow**."

Explain **liquidity**, **leverage**, or **dividends** using one defining and one non-defining clause."

1. **liquidity:** how easily an asset can be converted to cash
   "High-liquidity assets are easier to sell."
2. **leverage:** using borrowed money to increase investment capacity
   "Companies with high leverage carry more financial risk."
3. **credit risk:** risk that a borrower will not repay
   "Banks evaluate credit risk before approving loans."
4. **default:** failure to meet financial obligations
   "A default affects the company's credit rating."
5. **capital structure:** mix of debt and equity a company uses
   "A balanced capital structure reduces financial pressure."
6. **asset allocation:** distribution of investments across asset classes
   "Good asset allocation improves long-term performance."
7. **dividends:** payments companies give to shareholders
   "Stable dividends attract long-term investors."
8. **market capitalization:** total value of a company's shares *"Large-cap companies are usually more stable."*

Word	Part of Speech	Meaning	Example
issues	noun	problems or topics	"We need to solve these issues."
issues	verb	gives or publishes	"The bank issues credit cards."
issued	verb (past)	gave or published	"The bank issued new cards yesterday."

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GRAMMAR

Defining clauses (essential information)

- "Companies **that have high leverage** face more risk."
- "Assets **that offer high liquidity** are easier to sell."

Non-defining clauses (extra information)

- "Dividends, **which represent shareholder income**, vary by company."
- "Market capitalization, **which measures company size**, helps classify stocks."

Mini Practice:

1. "Asset allocation _____ improves diversification."	DC
2. "Capital structure, _____, affects financial stability."	NDC
3. "Companies _____ pay dividends attract long-term investors."	DC
4. "Liquidity, _____, is essential during downturns."	NDC

Relative Clauses List

Type	Pronouns	Commas	Example
Defining	that, who, which, where, when, whose	✗ No	"Assets **that offer high yield** attract investors."
Non-defining	which, who, whose	✓ Yes	"Dividends, **which reward shareholders**, increased this year."

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Mini Reading:

"Companies choose a capital structure **that aligns with their long-term strategy**. Dividends, **which reward shareholders**, depend on profitability."

Main idea:

Companies choose a capital structure.

Speaking:

"Credit risk, **which affects lending decisions**, increases in companies **that have unstable cash flow**."

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