

# 1

## Business finance

### A

#### Capital

When people want to **set up** or start a company, they need money, called **capital**. Companies can **borrow** this money, called a **loan**, from banks. The loan must be paid back with **interest**: the amount paid to borrow the money. Capital can also come from issuing **shares** or **equities** – certificates representing units of ownership of a company. (See Unit 29) The people who **invest** money in shares are called **shareholders** and they **own** part of the company. The money they provide is known as **share capital**. Individuals and financial institutions, called **investors**, can also **lend** money to companies by buying **bonds** – loans that pay interest and are repaid at a fixed future date. (See Unit 33)

Money that is **owed** – that will have to be paid – to other people or businesses is a **debt**. In accounting, companies' debts are usually called **liabilities**. Long-term liabilities include bonds; short-term liabilities include debts to suppliers who provide goods or services **on credit** – that will be paid for later.

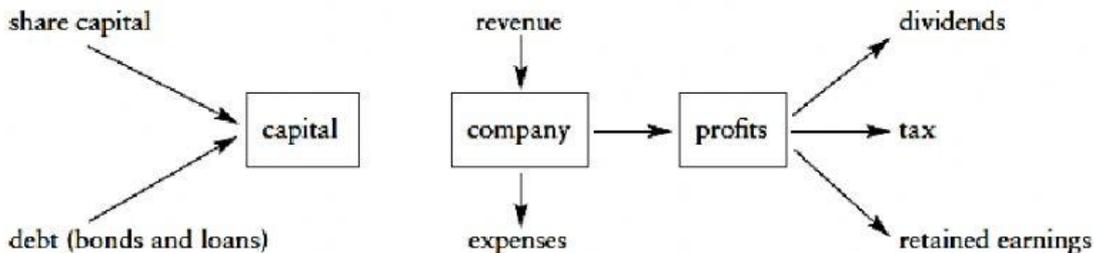
The money that a business uses for everyday expenses or has available for spending is called **working capital** or **funds**.

BrE: shares; AmE: stocks BrE: shareholder; AmE: stockholder

### B

#### Revenue

All the money coming into a company during a given period is **revenue**. Revenue minus the cost of sales and operating **expenses**, such as rent and salaries, is known as **profit, earnings** or **net income**. The part of its profit that a company pays to its shareholders is a **dividend**. Companies pay a proportion of their profits to the government as **tax**, to finance government spending. They also **retain**, or keep, some of their earnings for future use



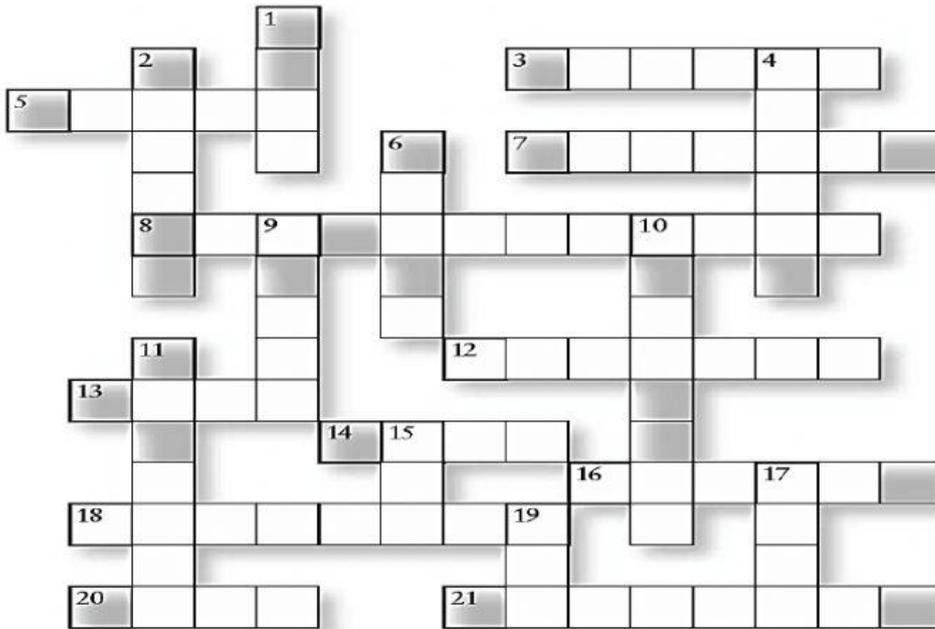
### C

#### Financial statements

Companies give information about their financial situation in **financial statements**. The **balance sheet** shows the company's **assets** – the things it owns; its **liabilities** – the money it owes; and its capital. The **profit and loss account** shows the company's revenues and expenses during a particular period, such as three months or a year.

BrE: profit and loss account; AmE: income statement

2.1 Complete the crossword. Look at A, B and C opposite to help you.



**Across**

- 3 Small companies often try to get bank loans when they need to \_\_\_\_\_ money. (6)
- 5 We don't have sufficient \_\_\_\_\_ to build a completely new factory. (5)
- 7 and 6 down Details of a company's liabilities are shown on the \_\_\_\_\_. (7,5)
- 8 We're going to raise more money by selling new shares to our existing \_\_\_\_\_. (12)
- 12 We had to raise €50,000 \_\_\_\_\_ in order to start the business. (7)
- 13 We're going to pay back some of the people who lent us money, and reduce our \_\_\_\_\_. (4)
- 14 I decided to buy a \$10,000 \_\_\_\_\_ instead of shares, as it's probably safer. (4)
- 16 Another term for profit is net \_\_\_\_\_. (6)
- 18 I think this is a good investment: it pays 8% \_\_\_\_\_. (8)
- 20 When they saw our financial statements, the bank refused to \_\_\_\_\_ us any more money. (4)
- 21 Profit is the difference between revenue and \_\_\_\_\_. (8)

**Down**

- 1 The profit and \_\_\_\_\_ account shows if a company is receiving more money than it's spending. (4)
- 2 If you don't like taking risks, you should only \_\_\_\_\_ in very successful companies. (6)
- 4 A company's retained earnings belong to its \_\_\_\_\_. (6) 6 See 7 across.
- 9 Anything a company uses to produce goods or services is an \_\_\_\_\_. (5)
- 10 The company made such a big profit, I expected a higher \_\_\_\_\_. (8)
- 11 We sold a lot more last year, so our \_\_\_\_\_ went up. (7)
- 15 We \_\_\_\_\_ our suppliers \$100,000 for goods bought on credit. (3)
- 17 Everyone who buys a share \_\_\_\_\_ part of the company. (4)
- 19 Thirty per cent of our profits goes straight to the government in \_\_\_\_\_. (3)



"It's been a great year – let's hope we can keep the shareholders from finding out."

**Over to you**

Think of the company you work for, or one that you are interested in. How was it financed when it was set up, and how is it financed now?