8 Finance

Starting point

1 Who is in charge of dealing with financial matters in your …?
- company
- department
- home

2 Do you ever work with a budget at work or at home? How do you decide what to spend?

3 Do you think it's easier to manage your own money, or someone else's money (e.g. your company's money)? Why/Why not?

Working with words | Finance and money

1 Look at the list of ways of raising money to start a business. Discuss the pros and cons of each one.
- from a bank
- from a rich relative or friend
- from a business investor
- find a business partner
- use lots of credit cards
- save up the money

2 Read the article and answer the questions.
1 How did Lauren Peers and Mike Thompson raise money for their businesses?
2 What did Lauren and Mike have to give their investors in return?

Crowdfunding

Lauren Peers needed over £100,000 in **capital** to open her new business: a cat café in London, where customers would pay for a meal while playing with cats. Cat cafés exist in Japan but they are new to the UK, so a bank was unlikely to give Lauren a **loan**. Instead, she registered with the crowdfunding site Indiegogo.com.

Here, **budding entrepreneurs** look for **potential investors**. You explain your business and set a figure which you must reach within a time limit. If you fail to reach the target, then you pay back any money to any investors. But Lauren didn't need to. She received offers from all over the world and raised £110,000 within 60 days. Months later, she opened the cat café with 7,000 customer bookings on its first day.

Crowdfunding sites like Indiegogo are attractive for small, new businesses because you don't give away any **equity** and you don't pay out **dividends**. Instead, you give your investors a reward; for example, one woman paid £20,000 towards Lauren's business in return for owning one of the cats in the café.

For more serious investors, sites like Seedrs.com or Crowdcube.com expect their entrepreneurs to offer detailed business plans, **financial forecasts** and **shares** in their company. For example, Mike Thompson was able to launch his company, 'Mike's Fancy Cheese', because 98 investors on Seedrs.com paid £80,000 for a 40% share in Mike's business. From such deals, these crowdfunding sites take a **commission** of around 5% of the amount raised.

3 Do you think crowdfunding is a good way to raise money to start a new business? Why/Why not?

4 Match the words or phrases in **bold** in the text in **2** to definitions 1–9.

1 money the bank lends and someone borrows ________
2 large amount of money to start a business ________
3 people who would like to start their first business ________
4 people (or organizations) who might put money into a business to make more money ________
5 profits that a company pays to people who own shares in the business ________
6 predictions about how much money a company might make in the future ________
7 a payment to someone who sells the goods or service on your behalf ________
8 units which a company can be divided into and sold to raise money ________
9 shares in a company ________

5 Work with a partner. Cover up your answers in **4**. Take turns to read out the nine definitions and try to remember the word or phrase.

6 Find four examples of *pay* + preposition in the text and write the missing preposition in these questions. Then ask and answer the questions with a partner.

1 How much do customers pay ________ your company's best-selling service or product?
2 If a customer isn't satisfied with the service or product, do you always pay them their money ________?
3 If a close friend needed $20,000 to start a business, what percentage would you pay ________ his or her start-up costs?
4 Would you want a reward in return for your investment or would you want your friend to pay ________ a dividend every year?

7 Work with a partner. Find these numbers in the text and discuss what they refer to.

100,000	*98*
60	*£80,000*
7,000	*40%*
£20,000	*5%*

» For more exercises, go to **Practice file 8** on page 120.

8 Work in groups. You are entrepreneurs with a new business idea and you plan to raise money via a crowdfunding website. Discuss and make notes about these questions.

- What is your business idea?
- What kind of investors will you attract, e.g. new or established businesses or specialist businesses?
- How much capital will you need to raise?
- What will the investors receive in return, e.g. a gift or shares in the business?

9 Present your ideas in **8** to the rest of the class. Decide which group is offering the best investment opportunity.

Finance and economics

Finance is:

- money provided or lent for a particular purpose.
- the management of money by countries, organizations or people.
- the study of money management.

A company with money problems has **financial problems**.

High finance involves very large amounts of money used by governments and large companies. A person's or organization's **finances** are the money they have and how it is managed, etc. The related adjective is **financial**.

Economics is:

- the study of the way in which money works and how it is used.
- calculations of whether a particular business activity will be profitable or not. A profitable activity is **economic** and an unprofitable one is **uneconomic**.

A government with money problems has **economic problems**.

Do not confuse 'economic' with **economical**. If something is economical, it is cheap to buy, to use or to do. If not, it is **uneconomical**.

Economic indicators (see below) are figures relating to how well a country's **economy** – system of money, production, etc. – is working.

Note

You don't say '~~I'm studying economy~~' but 'I'm studying economics.'

38.1 Read the definitions (1–9) and write words from A opposite. The first one has been done as an example.

1 A country's system of money, work, etc.: ......economy..........
2 The study of this subject in schools, universities, etc.: ....
3 Adjective used to talk about profitable activities: ....
4 The opposite of 3: ....
5 Adjective meaning 'cheap': ....
6 The opposite of 5: ....
7 How money is used, and the study of this: ....
8 An organization's money and how it is managed: its ....
9 Adjective related to 8: ....

Listening. How can the man start banking? What things/actions should he undertake?

12.1 Complete the sentences with a verb from list A and a preposition from list B.

A:	*borrowed ~~earned~~ invested lent*
B:	*~~from~~ from in to*

1 Last year I __earned__ around €40,000 before tax __from__ my job.
2 The bank __________ €25,000 ________ my colleague at work to pay for her MBA program.
3 My colleague at work __________ €25,000 ________ the bank to pay for her MBA program.
4 Last year we __________ a lot of money ________ a new IT system and it's really made a difference.

A:	*lost owed saved up won*
B:	*by for on to*

5 I heard that when they went bankrupt they __________ €2m ________ their creditors.
6 I know someone who __________ half a million ________ the lottery. Can you believe it? What luck!
7 My parents __________ €40,000 ________ a luxury cruise. They went all around the world.
8 He used to have a lot of money, but he __________ it all ________ speculating on the stock market.

A:	*cost made spent wasted*
B:	*from on on to*

9 While her children were small she __________ money for the family by working ________ home.
10 It __________ us a lot of money ________ get on the first page when people do a Google search.
11 I __________ money ________ that gym membership – I only ever went twice.
12 We __________ a lot of money ________ our holiday in the Seychelles but we really enjoyed it.

12.2 Complete what Sandra says about her bank. Some letters have been given to help you.

" Every month my employer pays my 1sa_ _ _y into my bank 2a_ _ _ _ _t. I have a card and I can 3wi_ _ _ _aw money at any cash machine. I'm not very good with money and I usually have an 4ov_ _ _ _aft by the end of the month. I almost never have any 5sa_ _ _gs. A few months ago I had to 6b_ _ _ _w some money to buy a new car and the 7in_ _ _ _st r_ _e was 8%. What a rip-off! Anyway, the arrangement is that I repay the 8l_ _n in twelve monthly 9in_ _ _ _ments. I hate being in 10d_ _t but I had no choice. "

12.3 First rearrange the letters to make words connected with money. Then use the words to complete the sentences.

arffod	*chgane*	*morggate*	*salse*
baraign	*~~dicsnout~~*	*recipet*	*wrtoh*

1 I asked the shop assistant for a __discount__ and she gave me 10% off.
2 The __________ are on in January – things will be much cheaper.
3 I don't have enough money – I can't __________ it.
4 The price is so high! It's not __________ it.
5 It's really cheap. It's a __________ .
6 Here's the money. Can I have a __________ , please?
7 We took out a 25-year __________ to buy our house.
8 I'd like to give the hotel porter a tip. Do you have any __________ ?

12.4 Complete the sentences with these prepositions: *for, for, in, ~~on~~, on, over, to, under*.

1 Everything is going according to plan. The project is on time and __on__ budget.
2 It would be nice to use better quality materials but we have to keep ______ the budget.
3 The budget ______ next year has not been set.
4 Around 50% of our total budget goes ______ labour costs.
5 Is there any money left ______ the budget?
6 Our Project Manager was really efficient. Believe it or not, the project actually came in ______ budget.
7 There were a lot of delays and other complications. The project went significantly ______ budget.
8 I have budgeted €600 ______ travel expenses.

12.5 Each time A and B speak, they use one wrong word. Find the mistake and correct it.

A: That last shop we went into was a real rip-~~out~~. off
B: You're right. I've seen exactly the same things for sell at the airport, but about half the price.
A: What about that shop over there? It says 'Italian fashion. 50% of!' Let's go in and have a look.
B: OK. That suit over there looks nice, and it's been reduction by €150.
A: Yes, it's a lovely suit. And very good value for price.
B: I'm going to try it on. I need a new suit and my salary has just gone into my account so I can ford it.
A: Make sure you keep the recipe. You should be able to claim back the tax at the airport.
B: It's only a small shop – I hope I can pay with card.
A: Don't worry. I have some local currents on me.