

# 12 Overdrafts



## FIRST VENTURE BANK

2437 COMMERCE STREET - NEW YORK, NY 10014

Thomas H. Johnson  
Capital Incorporated  
10 West 39th Street  
Chicago, IL 60610

Dear Mr. Johnson,  
Account No. 58756

We regret to **inform** you that you have an **overdraft** of \$200.00 on your account. On April 3, 2010, Total Value Office Supply **cash**ed a check in the amount of \$500.00. Your account balance on that date was \$300.00. Your **upcoming** statement includes overdraft **charges** in the amount of \$35.00. To avoid further charges, please do not make any additional **withdrawals** or **transfers** until **compensating** for this overdraft. If you have any questions or concerns, please contact us. For your convenience, customer service representatives are available twenty-four hours a day by phone.

withdrawal

### Get Ready!

1 Before you read the passage, talk about these questions.

- 1 What happens if you write a check for more money than you have in your bank account?
- 2 What are the penalties for overdrawing a bank account?

### Reading

2 Read the notice from a bank. Then, choose the correct answers.

- 1 What is the passage mainly about?  
A a missing check  
B an excessive bank fee  
C an overdrawn bank account  
D an upcoming account statement
- 2 How can Mr. Johnson compensate for the overdraft?  
A pay the bank \$235  
B pay the bank \$200  
C request a transfer  
D choose a different bank
- 3 What can be inferred about overdraft charges?  
A Some of them can be negotiated.  
B There are new charges for every overdraft.  
C They vary according to the overdraft amount.  
D Customer service representatives can block them.

### Vocabulary

3 Match the words (1-5) with the definitions (A-E).

- |                  |                    |
|------------------|--------------------|
| 1 ___ overdraft  | 4 ___ upcoming     |
| 2 ___ compensate | 5 ___ cash a check |
| 3 ___ transfer   |                    |

- A appearing or arriving in the near future
- B to receive money in exchange for a document
- C a withdrawal that exceeds an account's balance
- D to restore or replace something
- E to move something from one place to another

## FIRST VENTURE BANK

LIVEWORKSHEETS



- 4 Fill in the blanks with the correct words from the word bank.

### Word BANK

charges      withdrawal      inform

- 1 \_\_\_\_\_ the manager of the change.
- 2 Susan needs cash, so she went to her bank and made a(n) \_\_\_\_\_.
- 3 Tom paid a lot of extra \_\_\_\_\_ because of his overdraft.

- 5 Listen and read the notice again. What will show on Capital Incorporated's next statement?

## Listening

- 6 Listen to a conversation between an accountant and a banker. Mark the following statements as true (T) or false (F).

- 1 \_\_\_ The woman's personal account was overdrawn.
- 2 \_\_\_ Both accounts now have \$500 in them.
- 3 \_\_\_ The man refunded the overdraft charges.

- 7 Listen again and complete the conversation.

**Banker:** First Venture Bank. How may I help you?

**Accountant:** Hi. This is Wendy from Capital Incorporated. I just received an 1 \_\_\_\_\_ from you.

**Banker:** I can help you with that. What is your 2 \_\_\_\_\_?

**Accountant:** It's 58756. We have a second account with you 3 \_\_\_\_\_.

**Banker:** Let me see ... Your company's other account has a balance of \$1000.00.

**Accountant:** Good. Can I 4 \_\_\_\_\_ \$500 into the overdrawn account?

**Banker:** 5 \_\_\_\_\_. Is there anything else I can help you with today?

**Accountant:** No, 6 \_\_\_\_\_. Thanks.

## Speaking

- 8 With a partner, act out the roles below based on Task 7. Then switch roles.

### USE LANGUAGE SUCH AS:

*I just received an overdraft notice ...*

*What is your account number?*

*Can I transfer ...?*

**Student A:** You are calling a bank. Talk to Student B about:

- an overdraft
- another account
- paying for the overdraft

**Student B:** You are a banker. Answer Student A's questions.

## Writing

- 9 Use the notice and the conversation from Task 8 to fill out the email. Make up a name for the accountant.

FROM: \_\_\_\_\_, Accountant  
TO: \_\_\_\_\_, Manager  
RE: an overdraft

Dear \_\_\_\_\_,

I'm writing to inform you of an overdraft and what I did to compensate for it. \_\_\_\_\_

Cordially,



# 13 Costs

## Why Are Managers Obsessed With Cost?

### Setting sales price

Managers set **sales price** by using **markups** or the **cost-plus method**. How? It's simple. Start with the cost of producing something. Then add a certain percentage. This percentage includes the desired profit and fixed expense recovery. But what if a company sells below cost?

**LOWEST  
PRICES  
OF THE YEAR**

### Dumping

Sometimes, businesses try to gain an advantage by selling **below cost**. This is called dumping. Many countries have passed laws against dumping. It is a **predatory** pricing practice because companies use it to drive competitors **out of business**. Businesses can only lower their prices down to their costs. Otherwise, someone can **sue** them.

### Get Ready!

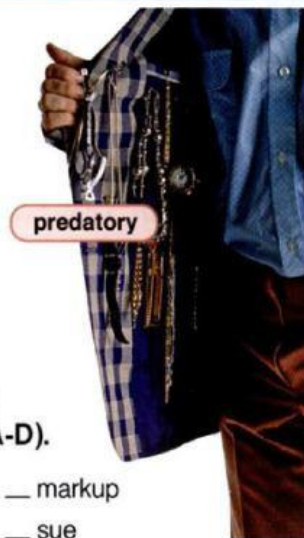
1 Before you read the passage, talk about these questions.

- 1 How do companies set prices?
- 2 How can companies get in trouble for their prices?

### Reading

2 Read the magazine article. Then, choose the correct answers.

- 1 What is the passage mainly about?
  - A setting sales prices
  - B influencing competitors
  - C lowering fixed expenses
  - D preventing rising expenses
- 2 Businesses are only allowed to lower prices if
  - A they are dumping
  - B they remain above their costs
  - C they are being sued
  - D their competitors agree
- 3 What can be inferred about dumping?
  - A It is considered ethical.
  - B It is legal in some countries.
  - C It involves the markup method.
  - D It doesn't account for fixed expenses.



### Vocabulary

3 Match the words (1-4) with the definitions (A-D).

- |                 |            |
|-----------------|------------|
| 1 — sales price | 3 — markup |
| 2 — dumping     | 4 — sue    |

- A an amount added to costs when setting prices
- B the amount a business charges for product
- C setting a price below costs
- D to initiate legal proceedings against someone



- 4 Fill in the blanks with the correct words and phrases from the word bank.

### Word BANK

below cost      predatory  
cost-plus method      out of business

- 1 Low prices can drive competitors \_\_\_\_\_.
- 2 Dumping is considered a \_\_\_\_\_ pricing practice.
- 3 The \_\_\_\_\_ involves adding a certain percentage.
- 4 The company is being sued because it was pricing \_\_\_\_\_.

- 5 Listen and read the article again. What illegal practice do some businesses use and why?

### Listening

- 6 Listen to a conversation between two accountants. Mark the following statements as true (T) or false (F).

- 1 \_\_\_ The woman is surprised by the lawsuit.
- 2 \_\_\_ The man often makes purchases from the company.
- 3 \_\_\_ The woman thinks the company was acting against the law.

- 7 Listen again and complete the conversation.

Accountant 1: Did you hear about Smithson Technologies?

Accountant 2: No. Did something 1 \_\_\_\_\_ them?

Accountant 1: They're 2 \_\_\_\_\_.

Accountant 2: Really? I hadn't heard that. Why?

Accountant 1: The lawsuit says they were dumping. It doesn't 3 \_\_\_\_\_ me. Their prices seemed too low.

Accountant 2: Personally, I think it's great when a company can offer a 4 \_\_\_\_\_ product for less money.

Accountant 1: But if they're selling 5 \_\_\_\_\_, it's against the pricing laws.

Accountant 2: I see 6 \_\_\_\_\_. Maybe they were trying to drive their competitors out of business.

### Speaking

- 8 With a partner, act out the roles below based on Task 7. Then switch roles.

#### USE LANGUAGE SUCH AS:

*Did you hear about ...?*  
*They're getting sued.*  
*It doesn't surprise me. Their prices ...*

**Student A:** You are an accountant. Talk to Student B about:

- a lawsuit
- reasons for it
- pricing laws

**Student B:** You are an accountant. Answer Student A's questions.

### Writing

- 9 Use the conversation from Task 8 to fill out the email. Make up names for the accountant and manager.

FROM: \_\_\_\_\_, Accountant  
TO: \_\_\_\_\_, Manager  
RE: dumping

Dear \_\_\_\_\_,

As you requested, here is some information about pricing laws. \_\_\_\_\_

Cordially,

\_\_\_\_\_