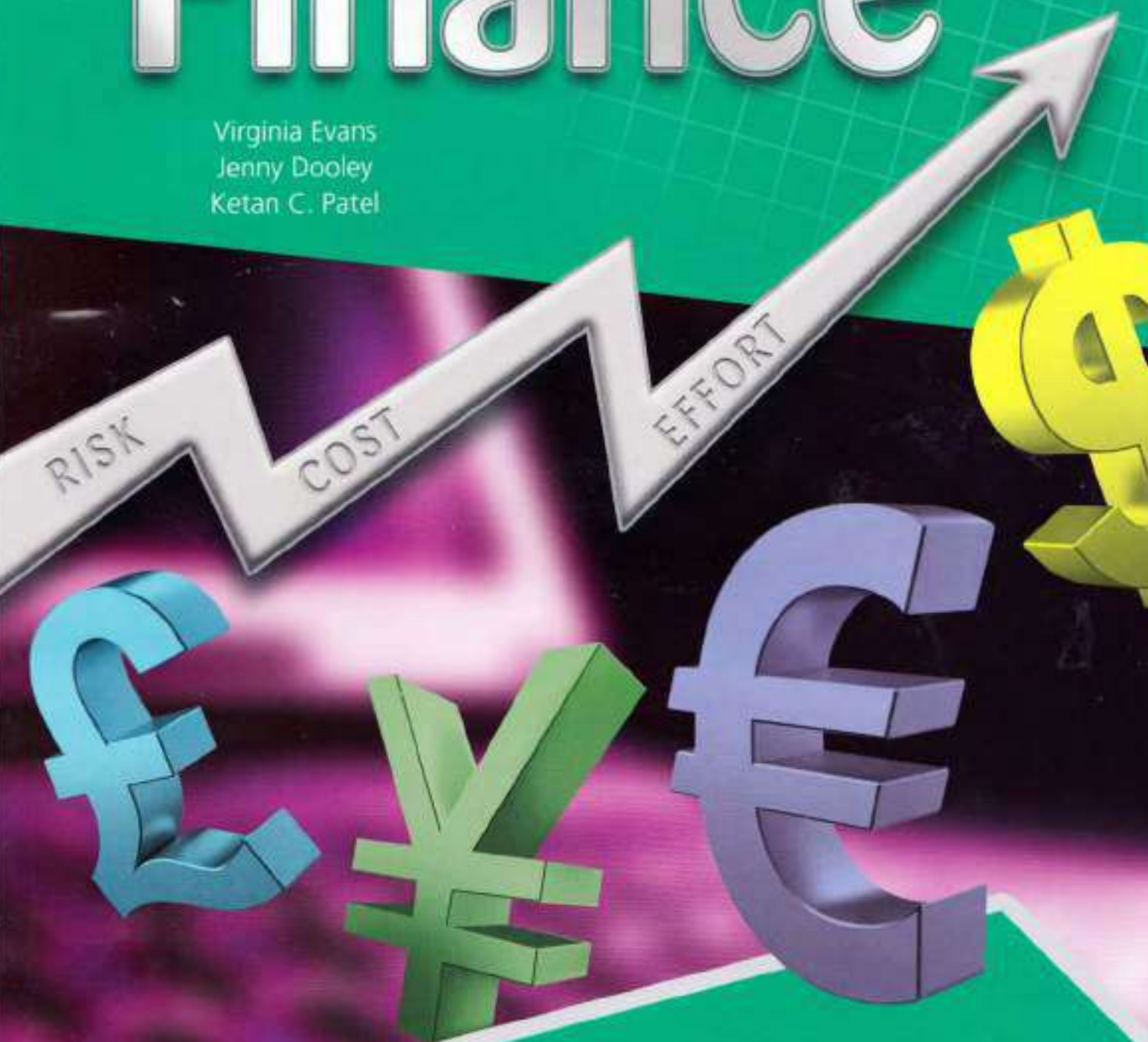


**CAREER
PATHS**

Finance

Virginia Evans
Jenny Dooley
Ketan C. Patel



Express Publishing

Scope and sequence

Unit	Topic	Reading context	Vocabulary	Function
1	Supply, demand, and prices	Newspaper article	supply, demand, price, quantity, sale, determine, consumer, spending, trend, supply, good, elasticity, downturn, surplus	Making suggestions
2	Starting a business	Business book	start up, business plan, initial, contribution, sales revenue, break-even, margin, gross, profit, location, legal structure, license, permit	Describing progress
3	Balance sheets	Email and balance sheet	retained profit, capital reserve, working capital, quick ratio, default, depreciation, current assets, current liabilities, fixed assets, long term liabilities, Certified Public Accountant, plant	Explaining terms
4	Profit and loss accounts	Business letter and P&L account	profit and loss account, income statement, revenue, cost of sales, cost of goods sold, depreciation, expenses, margin, overhead, gross profit, net profit, net sales	Making suggestions
5	Sales forecasts	Sales forecast	sales forecast, predict, expect, competition, existing, volume, estimate, contract, comparison, past sales, seasonal trend, factor, pricing policy	Describing possibilities
6	Controlling operations	Business letter	operations, control, strategy, strategic business unit, just-in-time approach, minimize, storage, break-even point, quality control, supply chain, efficiency, inventory management	Giving advice
7	Business relationships	Newspaper article	bid, buyout, divestment, parent company, take-over, friendly take-over, hostile take-over, offer, tender offer, target, white knight	Supporting an idea
8	Challenges	Newspaper article	deficit, receiver, liquidate, failure, bidder, restructure, call in (a) debt, liquidation, rights issue, creditor, shut down, receivership, bankruptcy, declare, outstanding	Bringing up a topic
9	Insurance basics	Website	insure, premium, compensation, cover, life insurance, auto insurance, health insurance, policy, term, disability insurance, protect, property insurance	Offering products
10	Insurance claims	Business letter	claim, file, estimate, policy number, loss, agent, policy holder, claims adjuster, investigation, monetary value, determine, available, confirm	Talking about future events
11	Central banks	Newspaper article	central bank, reserve bank, monetary authority, money supply, monopoly, legal tender, fiat money, inflation, price stability, exchange rate, interest rate, contractionary, hyperinflation	Hedging an opinion
12	International organizations	Textbook	IMF, WTO, GNP, UN, WHO, NAFTA, OPEC, EU, G20, ASEAN, multinational corporation, complexity	Describing responsibilities
13	Economic indicators	Newspaper article	unemployment, trade, import, export, labor mobility, housing starts, consumer price index, leading indicator, lagging indicator, coincident indicator, boom, recession, depression, bubble, collapse	Supporting an argument
14	Economic stability	Magazine article	economy, stabilize, struggle, fluctuation, stagflation, fall into, Gross Domestic Product, private consumption, gross private investment, government spending, let go of, sluggish, deflation, stagflation	Stating agreement
15	Economic theory	Blog post	theory, Keynesian economics, Neoclassical economics, rational, self-interest, public sector, invisible hand, laissez faire, incentive, private sector, stimulus, debate, rational	Checking for understanding

CAUSE OF AUTO INDUSTRY DOWNTURN REVEALED

Car companies are **disagreeing** about what caused the recent downward business **trend**. Some argue that it is due to bad management, while others blame the overall decrease in public **spending**. Yet in spite of this disagreement, the statistics reveal it as a fairly simple issue. Indeed, it seems to be a classic case of **supply** and **demand**.

Statistics show that the number of **consumers** looking to buy new cars this year was about the same as in previous years. The **price** of cars was also relatively the same. However, there was a large difference in the **quantity** of new cars manufactured. More specifically, there was a huge **overproduction** of them. Usually, companies can accurately **anticipate** the impact on demand if they choose to produce more **goods** relative to previous years. Nonetheless, this year the automobile industry made a serious mistake in its calculations.

As the companies **supplied** dealerships with an overproduction of cars, dealerships had to figure out a way to sell these extra cars. So, they lowered prices. Yet even with the general **elasticity** of demand in auto **sales**, the price cuts did not increase sales enough to eliminate the **surplus**. Most manufacturers took huge losses, which then caused the industry-wide **downturn**. Thus, car companies learned the hard way how the quantity of a good can **determine** its price.



supply



overproduction

price tag



downturn

Get ready!

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

- 1 Explain the concept of supply and demand.
- 2 How does price affect supply and demand?

Reading

2 Read this newspaper article. Then, mark the following statements as true (T) or false (F).

- 1 The article claims decreased spending caused the downturn.
- 2 Manufacturers produced fewer cars than usual.
- 3 Lower prices slightly increased sales.

Vocabulary

3 Match the words (1-8) with the definitions (A-H).

- | | |
|-------------------------------------|---------------------------------------|
| 1 <input type="checkbox"/> price | 5 <input type="checkbox"/> trend |
| 2 <input type="checkbox"/> sale | 6 <input type="checkbox"/> elasticity |
| 3 <input type="checkbox"/> consumer | 7 <input type="checkbox"/> supply |
| 4 <input type="checkbox"/> spending | 8 <input type="checkbox"/> determine |

- A an exchange of money for goods
 B a general course of action that repeats
 C the effect of a change in one variable on another
 D to have an effect on an outcome
 E the amount of money required to buy something
 F a person who makes a purchase
 G to provide something
 H the act of using money for purchases

4 Write a word that is similar in meaning to the underlined part.

- The available amount of steel is low this year. _ _ p _ _ y
- What amount did the factory produce? q _ _ n _ _ y
- These products for sale are too expensive. _ _ o _ s
- Low sales created an extra amount of wheat. s _ _ p _ u _
- Many jobs were lost during the decrease in economic activity.
_ _ w _ _ u _ _
- The amount wanted by customers for coats increases in the winter. _ e _ _ n _

5 Listen and read the newspaper article again. What caused the downward business trend?

Listening

6 Listen to a conversation between an accountant and a sales manager. Choose the correct answers.

- What is the conversation mainly about?
A increasing sales C decreasing spending
B removing a surplus D raising prices
- What suggestion does the woman agree with?
A Try more advertising. C Offer free delivery.
B Lower sales prices. D Stay open later.

7 Listen again and complete the conversation.

Accountant: Well, 1 _____ more advertising.

Sales Manager: We could. But stats show that consumers aren't responding much to advertising either.

Accountant: Oh, 2 _____. But isn't the store across the street doing well?

Sales Manager: Yeah it is. It's been 3 _____ as ours recently.

Accountant: Interesting. Have you gone over there and 4 _____?

Sales Manager: I did. They're really focusing on making things easier for the customer.

Accountant: Do you remember any specifics?

Sales Manager: The main thing I remember was 5 _____ of the furniture.

Accountant: Well, 6 _____ doing that?

Speaking

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

USE LANGUAGE SUCH AS:

We could try ...

Have you ...

Why don't we ...

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

- sales
- suggestions
- help you can offer

Student B: You are a sales manager. Talk to Student A about his or her suggestions about sales.

Writing

9 Use the article and conversation from Task 8 to write a summary on how supply, demand, and prices affected the auto industry. Include: supply and demand, public spending, and the outcome.



Starting Your Business

Before you open your business, you must know exactly how you will run it. Create a detailed **business plan**, including goals for your first year. Determine where your funding will come from during this **initial** period, and be prepared to make personal **contributions** to help yourself move forward.

The **legal structure** of your business depends on its size and ownership. For very small businesses, you will probably set up as a **sole proprietor** or **partnership**. For a medium-sized business, you will likely need to create an LLC or other corporation. Whatever type you use, make sure you have the appropriate **licenses** to operate a business in your area.

Once you have a business plan, you need a **location**. Thoroughly research different areas before you buy or rent an office, storefront, warehouse or other venue. Check with local authorities to find out which **permit** is required to operate in a given location.

As a **startup**, you may be a **break-even** business. This is okay at the beginning, as long as you are not losing money. **Profits** will come later. Try to put together realistic projections for **sales revenue**. Keep an adequate **margin** between your costs and **gross** earnings and you will do well.

Get ready!

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

1. What decisions must someone make before opening a business?
2. What official steps are required to open a business in your country?



Reading

2 Read the chapter summary. Then, fill in the blanks with the words from the word bank.

Word Bank

appropriate detailed
permits projections
location

Starting a business requires a(n) 1 _____ business plan. You must know where your money will come from. You must also decide on a(n) 2 _____ legal structure for your business type. Next, find a suitable 3 _____. Make sure you acquire the necessary 4 _____ for your area. New businesses may not make a profit initially, but realistic 5 _____ and an adequate profit margin will lead to success later.

Vocabulary

3 Read the sentence pair. Choose where the words best fit the blanks.

1 business plan / legal structure

- A Darius presented his _____ at the first shareholders' meeting.
B The partners could not agree on the best _____ for their type of business.

2 break-even / gross

- A A _____ business neither makes nor loses money.
B The company's _____ earnings during the first month were higher than expected.

3 permit / margin

- A The advisor told Paul that his _____ was too small to pay for more employees.
B After the city denied her building _____, Vera had to find a new location.

4 profits / contributions

- A Investors provide _____ to help a business get started.
B A company that doesn't earn _____ will not stay open.

4 Check (✓) the sentence that uses the underlined part correctly.

- 1 — A The accountant deducted rent and other expenses to determine the gross profits.

— B New businesses rarely make a profit in the initial stages.
- 2 — A Steven applied for a license before he opened his store.

— B The financial advisor recommended eliminating the profit margin altogether.
- 3 — A Before it became a national success, the website was just a small startup.

— B Georgiana's business did not have enough legal structure to stay open.
- 4 — A The business owner gave his partner a permit to share the business.

— B Our financial plan included detailed projections for the first year's sales revenue.
- 5 — A The busy street corner is an excellent location for our new clothing store.

— B Arnold submitted a business plan summarizing last year's performance.

5 Listen and read the chapter summary again. Why should the local authorities be contacted before you buy or rent a property?

Listening

6 Listen to a conversation between a man starting a business and a financial advisor. Mark the following statements as true (T) or false (F).

- 1 — The woman believes an LLC is an appropriate legal structure.
- 2 — The man recently rented a property for the business.
- 3 — The company must move in before it can apply for a business permit.



7 Listen again and complete the conversation.

Advisor: You're making excellent progress, Mr. Fuller. You and your partners have already created a strong business plan, and 1 _____ made the right decision by forming an LLC.

Owner: Good. My partners will be pleased to hear that. So 2 _____?

Advisor: We still need to find you an appropriate location. You'll need a large warehouse with office space. 3 _____ a list of available rentals for you to start with.

Owner: Great, thanks. So after we 4 _____, we can start bringing in the merchandise, right?

Advisor: Well, not quite, Mr. Fuller. First we'll contact the city about getting a 5 _____. Once you have that, then you can move in.

Speaking

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

USE LANGUAGE SUCH AS:

*You and your partners ... / After we ...
Once you have that, ...*

Student A: You are a financial advisor. Talk to Student B about:

- legal structures
- locations
- steps required

Student B: You are starting a business. Talk to Student A about your progress.

Writing

9 Use the summary and conversation from Task 8 to write the business owner's notes. Include the legal structure, location details, and upcoming steps.

ROUPTOP FURNITURE SUPPLY BALANCE SHEET

MARCH 17

Assets	Liabilities
Cash: \$90,000	Accounts Payable: \$15,000
Inventory: \$20,000	Salary: \$80,000
Total Current Assets: \$110,000	Total Current Liabilities: \$95,000
Plant: \$200,000	Mortgage Loan: \$120,000
Total Fixed Assets: \$200,000	Total Long-Term Liabilities: \$120,000
	Retained profit: \$95,000
Total: \$310,000	Total: \$310,000

To: p.jackson@roundtoplum.com
From: j.loren@jaynesacct.com
Subject: Balance Sheet

Ms. Jackson,

Attached is your balance sheet as of today, March 17. As you can see, your total assets are \$310,000, while your **total liabilities** are \$215,000. This leaves you with a **retained profit** of \$95,000. What you do with this **capital reserve** is your choice. But I advise you to invest it in order to increase profits. Although you do have a retained profit, you actually have little **working capital**: just \$15,000. That means your **quick ratio** is about 1.15. As long as business is good, you can survive with such small reserves. But should business decline, you would have serious liquidity problems and might **default** on loan payments. Furthermore, **depreciation** of your fixed assets will lower your total assets over time. For that reason, I strongly recommend that you alter your operations to increase profit. Ideally, your quick ratio should be at least 2. To achieve that figure with your current liabilities at present levels, you would need at least \$190,000 in current assets. I hope you see now how serious the deficit is. Please contact me should you have any questions.

Jacob Loren,
CPA, Jaynes Accounting

Get ready!

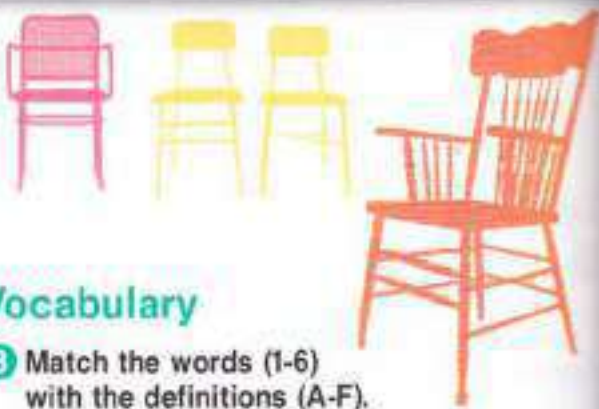
1 Before you read the passage, talk about these questions.

- How can accountants tell how much money a business has?
- What are some current liabilities businesses have to pay?

Reading

2 Read the email and balance sheet. Then, mark the following statements as true (T) or false (F).

- The business's current assets are less than its long-term liabilities.
- The accountant recommends investing the business' extra money.
- The business has a quick ratio of 2.



Vocabulary

3 Match the words (1-6) with the definitions (A-F).

- | | |
|------------------|-------------------------|
| 1 — plant | 4 — current liabilities |
| 2 — default | 5 — retained profit |
| 3 — depreciation | 6 — working capital |

- A to fail to make payments on a loan
B assets that are more than current liabilities that are used to finance operations
C profit that is earned but not spent
D the physical location of a business
E a decline in the value of an asset
F debts that must be paid within a year

4 Read the sentence pair. Choose where the words best fit the blanks.

1 **current assets / fixed assets**

- A _____ cannot be liquidated quickly.
B _____ can be turned into cash within a year.

2 **capital reserves / long-term liabilities**

- A A company's _____ are debts that must be paid in over a year's time.
B Companies save _____ in order to pay bills when business is slow.

3 **CPA / quick ratio**

- A A _____ is a measure of liquidity.
B A _____ advises businesses and individuals on financial matters.

5 Listen and read the email and balance sheet again. What might happen if business declines?

Listening

6 Listen to a conversation between a CPA and a business owner. Choose the correct answers.

- 1 Why does the woman call the man?
A to report higher profits
B to hire him for financial advice
C to clarify information in an email
D to correct an error on a balance sheet
- 2 Why does the man apologize?
A He mailed the sheet late.
B He didn't explain a term.
C He made a mathematical error.
D He knows business is bad.

7 Listen again and complete the conversation.

- CPA: Oh, hello, Ms. Jackson. How are you? 1 _____
_____ you got the email and balance sheet?
- Owner: I did, thanks. I have to say, I'm not sure 2 _____
_____. I thought we were doing really well.
- CPA: Don't worry. Your business isn't going to fail 3 _____
_____. I just had the one concern.
- Owner: That's 4 _____. But I'm pretty uninformed about all this financial stuff. All I know is making furniture.
- CPA: Well, that's 5 _____, right? So, what is confusing you?
- Owner: It's the quick ratio you mentioned. I've 6 _____
_____ it before. So I didn't know that mine was low.
- CPA: I should have explained that in the email. 7 _____
_____.

Speaking

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

USE LANGUAGE SUCH AS:

- Don't worry. Your business isn't going to fail.*
What is confusing you?

Student A: You are a CPA. Talk to Student B about:

- a balance sheet
- questions
- the quick ratio

Student B: You are a business owner. Talk to Student A about your balance sheet and quick ratio.

Writing

9 Use the email and balance sheet and the conversation from Task 8 to explain a balance sheet. Include: total assets, total liabilities and a recommendation.

total
liabilities
assets
total

a recommendation

hopewell

INDUSTRIES

P&L ACCOUNT JANUARY-MARCH

Revenue	
Sales	1 200 000
Returns	(10 000)
Damaged goods	(30 000)
Net sales	1 160 000
Cost of Sales	(600 000)
Gross Margin	560 000
Expenses	
Materials	30 000
Production	80 000
Sales and distribution	70 000
Depreciation	40 000
Total Expenses	(220 000)
Gross Profit	340 000
Payroll	(50 000)
Overhead	(50 000)
Finance and tax	(80 000)
Net Profit	160 000

Get ready!

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

- How does a business measure its profits?
- In what ways can a business increase its profitability?

Reading

2 Read the letter and P&L account. Then, choose the correct answers.

- What is the purpose of the letter?
 - to explain a set of figures
 - to explain cost of sales deductions
 - to give a summary of an income statement
 - to recommend ways of limiting overhead
- What is NOT included in expenses?
 - margin
 - materials
 - depreciation
 - sales and distribution
- What does the accountant suggest to raise profitability?
 - increasing revenue
 - decreasing overhead
 - limiting depreciation values
 - reducing returned and damaged goods



Dan Kuhn, accountant,
K&M Accounting
5218 Terrace Drive
Davis, CA 95718

Dear Mrs. Hopewell,

I am writing to summarize the enclosed **profit and loss account**. The **income statement** covers the first financial quarter of year 2012. During this three-month period, Hopewell Industries received \$1,200,000 in total sales **revenue**. Returned and damaged goods equaled \$40,000, bringing **net sales** to \$1,160,000. The **cost of goods sold** in this quarter was \$600,000. **Detracting** this **cost of sales** from total revenue gives you a margin of \$560,000.

Current **expenses** totaled \$220,000. These include \$30,000 in materials and \$80,000 in production costs. Additional expenses include \$70,000 for sales and distribution, as well as \$40,000 in **depreciation**. Gross margin minus total expenses gives you a **gross profit** of \$340,000. Payroll costs were \$50,000. **Overhead** costs were \$50,000. Finance costs and taxes came to \$80,000. This brings you to a **net profit** of \$160,000 for the first quarter.

Your profitability is up from last quarter. But I would recommend looking into the causes for returned and damaged goods. Decreasing this figure could raise the overall profitability of the company. If you have any questions regarding this account don't hesitate to call.

Sincerely,
Dan Kuhn

Vocabulary

3 Match the words (1-6) with the definitions (A-F).

- | | |
|------------------|-----------------------------|
| 1 — depreciation | 4 — cost of goods sold |
| 2 — overhead | 5 — profit and loss account |
| 3 — gross profit | 6 — margin |

- a statement of revenue and expenses
- total expenses for inventory sold in a period
- a loss of assets' value through use or loss
- the difference between net sales and cost of sales
- costs of business operation unrelated to the products themselves
- total gains before taking out taxes and finance costs

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

Word Bank

revenue net sales cost of sales
net profit expense income statement

- The _____ amount accounts for returned and damaged products.
- Calculate the margin by subtracting _____ from revenue.
- Advertising is a major _____.
- The company will not profit until _____ is greater than expenses.
- _____ is the clearest measure of financial success.
- The _____ shows all revenue and expenses.

- 5 Listen and read the letter and P&L account again. What are some expenses mentioned there?

Listening

- 6 Listen to a conversation between a manager and a business owner. Mark the following statements as true (T) or false (F).

- ___ The company lost money due to warehouse accidents.
- ___ The man suggests more advertising.
- ___ The woman is looking for a new supplier.

- 7 Listen again and complete the conversation.

Owner: I was looking over our P&L sheet. We need to boost our revenue this quarter.

Manager: How are we going to do that?

Owner: Well, by limiting damages for one. That's what the accountant suggested.

Manager: In other words, those warehouse accidents are costing us money.

Owner: Right. But we also need to 1 _____.

Manager: Yeah. A little 2 _____ could go a long way.

Owner: I agree. Good marketing is a significant expense. But it would likely 3 _____.

Manager: Definitely. Hundreds of potential 4 _____ in Bakersfield don't even know we exist.

Owner: This is true. At the same time, we are 5 _____ for materials.

Manager: Really? Could we find a new 6 _____?

Speaking

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

USE LANGUAGE SUCH AS:

We need to raise our ...
That is a significant expense ...
We also need to ...

Student A: You are a business owner. Talk to Student B about:

- a P&L account
- raising sales
- supply costs

Student B: You are a manager. Talk to Student A about improving profitability.

Writing

- 9 Use the letter and P&L account and the conversation from Task 8 to summarize a P&L statement. Include: revenues, expenses, net profit, and ways to improve net profit.



LANCASTER Enterprises

Fourth Quarter Sales Forecast

Prepared by Jennifer Masterson and Ken Walker

Executive Summary

This report presents our **sales forecast** for the fourth quarter. We conclude that the company will be able to increase total sales by 24% over the current **volume**. We **predict** the largest increase will come in the small engines division (32%). This is largely due to the recent release of the new MC-19 engine, which remains in high demand. Sales of other engines remain steady.

We also **expect** sales of small motors and replacement parts to show above average increases this quarter in **comparison** with **past sales**.

Sales are likely to continue to drop in our marine division, which appears to be, in part, a **seasonal trend**. Based on that trend, we **estimate** a 25% decline for the fourth quarter. Another **factor** affecting the marine division is increasing **competition** with Dorsey Marine. They outbid us on several **contracts**. Strong sales with our **existing** clients, however, will support this division. We advise a review of the company's **pricing policy** across the board, as materials costs have continued to rise at a faster than average rate over the past three quarters.



Get ready!

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

- 1 What are some ways businesses plan for the future?
- 2 How do businesses use past information to make future plans?

Reading

2 Read the sales forecast. Then, mark the following statements as true (T) or false (F).

- 1 The company expects to increase sales in all product divisions.
- 2 There will be above average sales of small motors.
- 3 The company got an important marine contract from a competing company.

Vocabulary

3 Match the words (1-7) with the definitions (A-G).

- | | |
|--|---|
| 1 <input type="checkbox"/> competition | 5 <input type="checkbox"/> existing |
| 2 <input type="checkbox"/> estimate | 6 <input type="checkbox"/> volume |
| 3 <input type="checkbox"/> factor | 7 <input type="checkbox"/> pricing policy |
| 4 <input type="checkbox"/> predict | |

- A a thing that has an effect on something else
 B already occurring or present
 C to guess a quantity
 D a person or business that is trying to reach the same goals or customers as another
 E to state what one expects to happen
 F a total quantity
 G rules controlling how much to charge for products

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

Word BANK

contracts past sales comparison
sales forecast expect seasonal trend

- Our _____ shows an increase of 45% next month.
- A(n) _____ with Alta Inc. shows our strengths more clearly.
- A(n) _____ will not last the entire year.
- The managers _____ their employees to arrive on time.
- Our current figures are much lower than those from _____.
- The company signed two new _____ to build offices.

- 5 Listen and read the sales forecast again. Why does the forecast predict increased sales in the small engines division?

Listening

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

- ___ The sales forecast predicts higher sales.
- ___ The man wants to sell a new product.
- ___ The woman believes a new product would fail.

- 7 Listen again and complete the conversation.

- Executive 1: Yes, that's correct. We estimated a 1 _____.
- Executive 2: Wow! Now, you mentioned this is because consumers are more concerned with eating healthy.
- Executive 1: That is what our team's research suggested.
- Executive 2: I've worried about that before. So here's my idea. We create cookies for the health-conscious 2 _____.
- Executive 1: That might help us get our sales 3 _____.
- Executive 2: It's at least 4 _____, isn't it?
- Executive 1: I think so. Let me talk with the bakers and see what they can do.
- Executive 2: Great. Let me know what you find out. I 5 _____ this is more than a passing trend.
- Executive 1: I have to agree. But 6 _____ that the competition has the same idea.
- Executive 2: Then we'll have to act fast.

Speaking

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

USE LANGUAGE SUCH AS:

Here's an idea.
It's worth a try.
I have to agree.

Student A: You are a sales executive. Talk to Student B about:

- the sales forecast for a product
- factors affecting sales
- how to increase sales

Student B: You are a sales executive. Talk to Student A about some possible ways to increase sales.

Writing

- 9 Use the conversation from Task 8 to complete a sales forecast. Include: expected sales, factors, and methods to increase sales.

Lancaster Enterprises

Sales Forecast

Get ready!

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

- 1 What are some of the things involved in running a business?
- 2 How do companies ensure the quality of their products?

Dear Mr. Harding,

After reviewing your **operations**, I have several suggestions for improving **control** over your operations and increasing **efficiency**.

First, I would advise that you change your **strategy** regarding raw materials. Right now, you spend 12% of your budget on **storage** of machine parts and other supplies. You could reduce this cost by up to 90% if you adopted a **just-in-time approach**. That would **minimize** the amount of your resources and space that go toward maintaining inventory. This, of course, would entail the adoption of a new **inventory management** system that keeps you informed of where each individual part or material is in the **supply chain**.

Second, your **quality control** process is pretty thorough. However, the reports you shared with me from dissatisfied customers suggest improvements could be made. I'd suggest increasing your budget for quality control and revising your processes to prevent similar future complaints.

Third, your business primarily supplies turbines to windmill manufacturers. I would suggest that you start a **strategic business unit** focused on the manufacture, marketing, and sales of Harding Windmills. This could increase your profits substantially. However, it may take a few years before the unit reaches a **break-even point**.

Sincerely,

Mike Pareski, Senior Consultant

Materials

Factory

supply chain

Retailer

Consumer

Reading

2 Read the business letter. Then, complete the table using information from the letter.

Proposed Change	Business Function Affected
Keep fewer raw materials on hand	_____
Ensure high customer satisfaction	_____
Explore the production of new products	_____

Vocabulary

3 Check (✓) the sentence that uses the underlined part correctly.

- 1 A The owner has control over the business.
 B Inventory management deals with employees.
- 2 A Quality control is a measure of how people use time and energy.
 B Materials arrive via the supply chain.
- 3 A The strategic business unit controls the managers.
 B Good plans have a clear strategy.
- 4 A Warehouses are used for storage.
 B A company starts at the break-even point.
- 5 A If you minimize your workload, you have less to do.
 B Factories can function without defined operations.
- 6 A If you work faster, you might increase your efficiency.
 B Employees arrive to work using the just-in-time approach.

4 Write a word that is similar in meaning to the underlined part.

- Some businesses overlook the importance of being efficient in their day to day functions.
_ p _ _ _ _ i _ _ s
- The business function of maintaining excellence is important in the food industry.
q _ _ _ _ t _ _ o _ _ _ _ _
- Sometimes a company will open a special business within itself to meet a goal.
_ _ r _ _ _ g _ _ _ u _ _ _ _ _ s _ _ i _ _
- Most manufacturers today rely on a means of getting supplies right before they need them.
_ _ s _ _ _ _ _ m _ _ p _ _ _ _ c _
- Factories that assemble many different parts need good methods for tracking supplies.
_ _ v _ _ _ o _ _ _ _ n _ _ _ _ _ t

5 Listen and read the business letter again. How long could it take for Harding Windmills to begin making a profit?

Listening

6 Listen to a conversation between a business owner and a consultant. Choose the correct answers.

- What is the conversation mostly about?
A recommendations for starting a business
B a discussion of causes of a business failure
C advice for operating a business better
D suggestions for increasing sales
- What can be inferred about the business?
A It stores more supplies than needed.
B It is not open on the weekends.
C It is not at the break-even point.
D It does not manage its inventory.



7 Listen again and complete the conversation.

- Consultant:** One thing I'd suggest is that at the end of each week you order
1 _____ flour, sugar, and other supplies for the week ahead.
- Owner:** So, I 2 _____ a big supply then.
- Consultant:** Exactly. This also means that you might want to improve your existing
3 _____.
- Owner:** I'm 4 _____ exactly.
- Consultant:** Well you'll have to 5 _____ how much flour you have and how much you use.
- Owner:** Oh, I see, that way I can predict what I need for next week.
- Consultant:** 6 _____.

Speaking

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

USE LANGUAGE SUCH AS:

- One thing I'd suggest is ...*
This also means that ...
Thanks for the clarification ...

Student A: You are a business consultant. Talk to Student B about:

- business operations
- ordering supplies
- inventory management

Student B: You own a business. Talk to Student A about improving it.

Writing

- 9** Use the letter and the conversation from Task 8 to write a plan to improve a business's operations. Include: the supply chain, and inventory management.



parent company



Get ready!

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

- 1 What are some terms used to describe how a company becomes part of a larger company?
- 2 What are the different styles of business takeover that exist?

Reading

2 Read the newspaper article. Then, fill in the blanks with the words from the word bank.

word BANK

corporation welcomed
disagreed completed
takeover

On Tuesday, the Nielson-Williams Corporation 1 _____ its buyout of auto parts maker Western Manufacturing (WM). Before the deal, another national 2 _____, NexiCorp, tried to take control of the WM. Officials at WM 3 _____ with NexiCorp's business practices and planned to quit if NexiCorp's 4 _____ went through. Last week, Nielson-Williams made a successful offer to buy WM. The management at WM 5 _____ Nielson-Williams as their new parent company.

THE BRUIN CITY BUGLE

A1

Neilson-Williams Acquires Western Manufacturing

The business community was surprised Tuesday at a national corporation's **takeover** of a regional auto parts maker. The Nielson-Williams Corporation made a successful **bid** for the **buyout** of Western Manufacturing (WM). The deal put an end to a months-long corporate battle for control of the company.

For months, WM was the **target** of another national corporation, NexiCorp. According to a spokesperson for WM, the board of directors objected to NexiCorp's unethical business practices. In fact, the majority of WM's management team announced intentions to quit if NexiCorp's **hostile takeover** was successful. But before NexiCorp could complete the buyout, Nielson-Williams stepped in and made its own **tender offer**. Many hailed Nielson-Williams as a **white knight** for preventing the sale to NexiCorp.

Last November, head officials at WM announced plans for **divestment** to prevent the company from going bankrupt. Since then, several larger corporations have made **offers**, but none were as aggressive as NexiCorp. Nielson-Williams did not enter the bidding until just last week. The WM spokesperson said that the board and management consider this a **friendly take over**. She said WM is pleased to accept Nielson-Williams as its **parent company**.



Vocabulary

3 Write a word that is similar in meaning to the underlined part.

- 1 Reynolds Inc. was a company that saved another company after preventing another corporation from buying Paper Unlimited. _ h _ _ _ _ n i _ _ _ t
- 2 JasCorp was forced into a situation in which management disagrees with a buyout. h _ _ t _ _ e _ _ k _ _ v _ _
- 3 Selling parts of a company can help corporations avoid bankruptcy. _ i v _ _ _ m _ _ t
- 4 Mr. Lewis made an offer to buy a majority of company shares to the board of Grant Co. t _ _ d e _ _ f f _ _
- 5 HansCo's process of taking control of the small company was unsuccessful. _ a _ _ o v _ _
- 6 Fred's act of gaining control by buying available parts of Jenkins Tours made him very powerful in the travel industry. _ _ y _ _ t

4 Read the sentence and choose the correct word.

- 1 Kendall Inc. is a part of its **takeover** / **parent company**.
General Manufacturers.
- 2 The board rejected the Finn Corporation's **divestment** / **offer** to buy the company.
- 3 Jones Productions made the most aggressive **bid** / **buyout** to take control of the company.
- 4 The board was pleased about the **friendly takeover** / **hostile takeover** of their company.
- 5 D & L Publishing was the **offer** / **target** of several buyout attempts.

5 Listen and read the newspaper article again. What was the company planning in order to prevent bankruptcy?

Listening

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

- 1 The woman is surprised to hear of the buyout.
- 2 The agents agree that WM used to be a profitable company.
- 3 Both agents think buying WM was a good business decision.

7 Listen again and complete the conversation.

Agent 1: Did you hear that Neilson-Williams made a successful bid for Western Manufacturing?

Agent 2: Really? I figured WM would go to NexiCorp. Frankly, 1 _____ anybody wanted it at all.

Agent 1: Why do you say that?

Agent 2: Well, WM is 2 _____. I don't understand why all these big corporations made such competitive offers for it.

Agent 1: I think the takeover makes sense. I know they have some financial problems, but they 3 _____ very profitable.

Agent 2: That's true, but that was 4 _____. The company just isn't as strong as it used to be.

Agent 1: Well, as far as I know, WM still makes decent products. With the right management, 5 _____ be great again.

Agent 2: I don't know. It seems like a pretty 6 _____. I guess we'll see if Neilson-Williams is prepared to save the 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 that ...
I don't understand why ...
That's true, but that was ...

Student A: You are an investment agent. Talk to Student B about:

- a corporate takeover
- your opinion
- Student B's opinion

Student B: You are an investment agent. Talk to Student A about a corporate takeover and why you think it was a good or bad idea.

Writing

9 Use the conversation from Task 8 to complete an investment agent's letter to the editor. Include the agent's opinion about the takeover and reasons supporting that opinion.



friendly takeover

Get ready!

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

- 1 What happens to a business that runs out of money?
- 2 How can failing businesses be saved?



Debt:	\$42,000
Assets:	\$30,000
Deficit:	\$12,000

deficit

Reading

2 Read the newspaper article. Then, mark the following statements as true (T) or false (F).

- 1 Go-Round was sued by another airline.
- 2 The airline could not increase profits while in receivership.
- 3 Go-Round was purchased by Jetway Inc.

Vocabulary

3 Match the words (1-8) with the definitions (A-H).

- | | |
|--|---|
| 1 <input type="checkbox"/> outstanding | 5 <input type="checkbox"/> failure |
| 2 <input type="checkbox"/> creditor | 6 <input type="checkbox"/> liquidate |
| 3 <input type="checkbox"/> declare | 7 <input type="checkbox"/> receivership |
| 4 <input type="checkbox"/> deficit | 8 <input type="checkbox"/> restructure |

- A to change the organization of a business
 B the difference between what is needed and what one has
 C not yet paid
 D the state of being directed by a receiver
 E the permanent closure of a business
 F to sell a business's assets to pay debts
 G a person or business that a company has borrowed from
 H to state something publicly

By
Samuel
Lineman

AIRLINE CORPORATION FAILS

Go-Round, a **bankrupt** airline company, **declared** total **failure** earlier this week. Problems originally started when the troubled airline lost a series of lawsuits from passengers over frequently lost or damaged luggage. These suits put the company in great financial trouble, not only because of financial damages, but also because of declining passenger numbers. Investors began to doubt the airline's ability to serve a wide array of people. They began pouring their money into other, more promising airlines. Seven months ago **creditors called in** their **debts**. Finally, four months ago, Go-Round declared **bankruptcy**. In efforts to prevent a total **shut down**, the company appointed a **receiver**. Under the new **receivership** the company **restructured** twice, but saw no improvement. The **deficit** remained. The company will now be **liquidated** on April 22nd. The issue is now who will buy the company. Zoom and Everywhere Airlines are showing the most interest. Jetway Inc. is also interested in purchasing the company. However, the **liquidation** of the company's assets will go to the highest **bidder**. Since interest is high, the selling price will bring enough money to settle the company's **outstanding** debt.

4 Read the sentence pair. Choose where the words best fit the blanks.

1 receiver / bidder

- A The highest _____ will purchase the company.
 B A _____ was appointed to manage the failing company.

2 bankruptcy / liquidation

- A New Page LLC declared _____ after months of decreasing profits.
 B The corporation paid all debts through its _____.

3 shut down / call in

- A The creditors decided to _____ their debt.
 B The company will _____ due to declining profits.

- 5 Listen and read the newspaper article again. What will happen to Go-Round's outstanding debts?

Listening

- 6 Listen to a conversation between a manager and an accountant. Choose the correct answers.

- What is the conversation mainly about?
 - how to save a failing company
 - the purchase of a bankrupt company
 - ways to restructure a bankrupt company
 - the benefits of going into receivership
- What will the woman most likely do next?
 - place a bid
 - call a supervisor
 - appoint a receiver
 - review financial records

- 7 Listen again and complete the conversation.

Manager: Well, RoboTech 1 _____ that they are going bankrupt.

Accountant: Really? I never thought that they would 2 _____. I knew that no one was buying their expensive products, but I thought they were 3 _____ in other areas.

Manager: I guess not. But a lot of companies are interested in 4 _____.

Accountant: Are we one of those companies?

Manager: Yes, actually. It's what I came to talk to you about. It would be 5 _____ for Automated Unlimited.

Accountant: How much are we going to offer?

Manager: Around fifty million. Management 6 _____ that sounds like a good number.

Accountant: That sounds about right, but it will depend on their debt.

Manager: Yeah. Anyway, our CFO wants us to go through the financial records one more time. Just to make sure everything is in order to place the bid on the company.

Speaking

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

USE LANGUAGE SUCH AS:

I never thought that ...
How much are we going to offer?
Management seems to think ...

Student A: You are a manager. Ask Student B about:

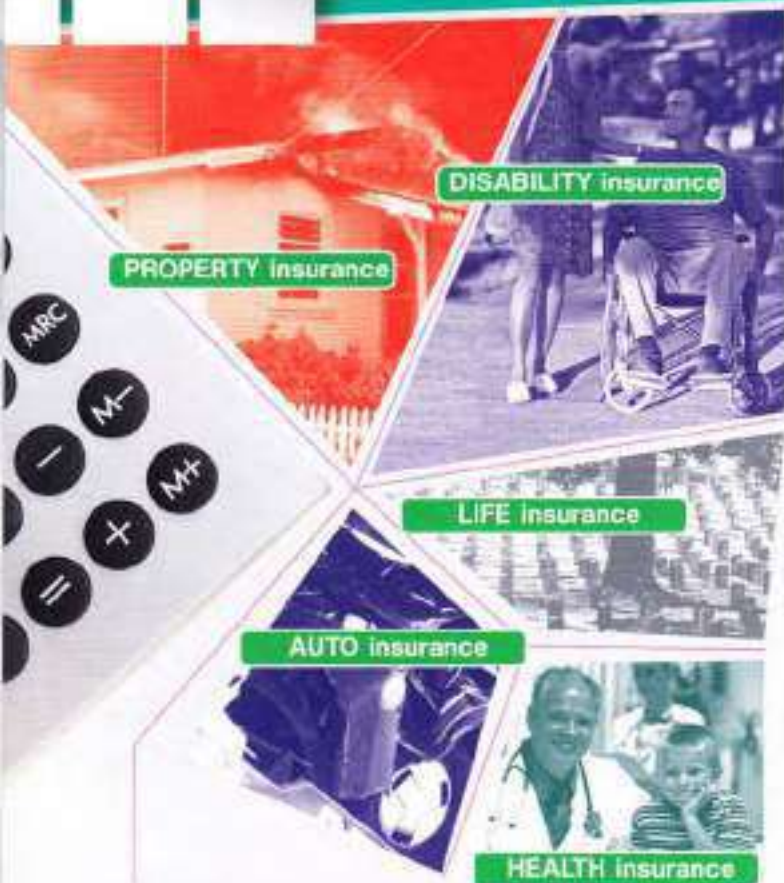
- a failing company
- a take over bid
- financial records

Student B: You are an accountant. Talk to Student A about a failing company.

Writing

- 9 Use the article and conversation from Task 8 to write an article on a failing company. Include: why the company is failing, efforts to save it, and who will purchase it.





DISABILITY insurance

PROPERTY insurance

LIFE insurance

AUTO insurance

HEALTH insurance

INSURANCE COMPANY

Citizens First

More and more people are discovering Citizens First. Those that have discovered us stay with us because they know that we will **protect** them from life's uncertainties.

We offer a variety of **life insurance policies**. Choose from 5, 10, 15, and 20 year **terms**. Our policies offer **compensation** to your loved ones of up to \$2 million. For added protection, consider getting **disability insurance** as well. Purchase both together and receive a special discounted rate.

Insure your home, business or both, with our **property insurance**. The more properties you insure with us, the better rates we can provide.

Getting sick today can be costly. That is why we offer **health insurance** to individuals, families, and small businesses. With low **premiums** and excellent coverage you can rest assured you will be taken care of in the event of illness.

Our **auto insurance** offers some of the best rates available on the market today.* With a variety of policies, we can **cover** your vehicle and every driver in your family – no matter what your budget. And covering multiple drivers and cars leads to discounts.

Please contact us to discuss your enrollment. Our courteous and professional staff is available online 24/7.

*Note: not all policies are available in some states due to legal restrictions.

Get ready!

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

1. What are some ways people protect themselves and their property?
2. How is medical care paid for in your country?

Reading

2 Read the page from Citizens First's website. Then, choose the correct answers.

1. What is the purpose of the website?
 - A to describe a business plan
 - B to introduce a company's products
 - C to compare competitors' policies
 - D to explain the enrollment process
2. Which product does NOT provide discounts for holding multiple accounts?
 - A property insurance
 - B disability insurance
 - C health insurance
 - D auto insurance
3. What can you infer about the company's auto insurance policies?
 - A Some states allow all of the policies.
 - B Customers cannot enroll in them online.
 - C The policies do not cover young drivers.
 - D Policies are available for different term lengths.

Vocabulary

3 Read the sentence pair. Choose where the words best fit the blanks.

- 1 **policy / auto insurance**
 - A In many countries you cannot drive without _____.
 - B It takes time to choose the _____ that is right for you.
- 2 **cover / protect**
 - A The property insurance does not _____ damage caused by floods.
 - B Having insurance can _____ you from financial losses.
- 3 **life insurance / disability insurance**
 - A Payments for _____ do not go to the policy holder.
 - B Workers should purchase _____ in case they are injured and cannot work.

- 4 Place the words and phrases from the word bank under the correct heading.

Word BANK

compensation health insurance insure
premium term property insurance

Policy Types	Policy Aims	Policy Features
_____	_____	_____
_____	_____	_____

- 5 Listen and read the page from Citizens First's website again. Who can purchase health insurance?

Listening

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

- ___ The man has an existing insurance policy with the company.
- ___ The man wants to insure items in his home against fire.
- ___ The man is interested in policies that offer more extensive coverage.

- 7 Listen again and complete the conversation.

Agent: I have a full-coverage property policy that you
1 _____.

Customer: What does it cover?

Agent: It protects the value of your home from natural disasters and fire.

Customer: That's 2 _____.

Agent: And it also insures everything in your home,
3 _____ a million dollars, against theft.

Customer: 4 _____, but we probably don't need it. We don't own many expensive things.

Agent: Okay. 5 _____. Another feature protects you in case someone not living in your home gets hurt there. Again, it covers a million dollars.

Customer: That all sounds expensive. I don't think we need
6 _____.

Agent: Well, I also have some more affordable policies, but they offer less extensive coverage.

Customer: Let's take a look at those.

Speaking

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

USE LANGUAGE SUCH AS:

You might be interested in ...
We also have ...
Another feature is ...

Student A: You are an insurance agent. Talk to Student B about:

- different policy options
- what they cover
- how much they cover

Student B: You are a customer. Talk to Student A about what insurance you need and don't need for your home.

Writing

- 9 Use the website and the conversation from Task 8 to offer insurance policies to a customer. Include: types of insurance, what is covered, and discounts.



name _____
surname _____
telephone _____
mobile _____
e-mail _____
website _____

what is covered

discounts types of insurance

MEDICARE SUPPLEMENT CLAIM FOR

HEALTH INSURANCE CLAIM FORM

claim

Banfield Auto Insurance

Sarah Fritz - Claims Correspondent

Dear Mr. O'Donnell,

I am writing to inform you that we received your **claim**. Our records show that you **filed** on March 17th under **policy number** 715L-PM9-0. We understand that the accident occurred out of state. The pictures you provided of the vehicle will suffice for our initial **estimate** of damages. But we have not been able to reach the insurance company of the other driver. If you have any further information regarding the other driver please notify us immediately. We appreciate your co-operation.

A **claims adjuster** is currently looking into your claim. He will **determine** the **monetary value** of your **loss** in damages. The **investigation** will last between seven and fourteen days. Once it is complete, we will send a full report to your **agent**, Mrs. Simms. She will inform you of the specific coverage **available** according to your policy. After you have received the full report, we will authorize appropriate payment for damages. If you have any questions, please call the **policy holder** hotline at (713) 555-7349.

Sincerely,

Sarah Fritz,
Claims Department
Banfield Auto Insurance

estimate

Get ready!

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

- 1 When do people make insurance claims?
- 2 When will insurance companies deny a claim?

Reading

2 Read the letter about an insurance claim. Then, mark the following statements as true (T) or false (F).

- 1 More photos of the vehicle are required.
- 2 The claims adjuster's investigation is complete.
- 3 Payment has not yet been authorized.

Vocabulary

3 Write a word that is similar in meaning to the underlined part.

- 1 The claims adjuster will decide upon a monetary value for damages to the house.
_ e _ _ r m _ _ _
- 2 The claims adjuster took his identifying code.
_ _ _ i _ _ n _ _ b _ _ r
- 3 The man reported the claim three days ago.
_ i _ e _
- 4 It's the responsibility of the insured person to file a claim promptly after an incident.
_ o _ _ _ y _ _ _ d _ r
- 5 An agent will be able to help in a moment.
_ v _ _ _ a _ _ e

4 Read the sentence pair. Choose where the words best fit the blanks.

- 1 estimate / policy number
 - A The _____ of damages was greater than the value of the vehicle.
 - B Write your _____ on each page of the claim.
- 2 agent / claim
 - A I filed the _____ right after the accident.
 - B The _____ sold her the best policy.
- 3 investigation / monetary value
 - A He won't receive any money until the _____ is complete.
 - B The claims adjuster determined the _____ of his loss.

- 5 Listen and read the letter about an insurance claim again. What information does the insurance company require?

Listening

- 6 Listen to a conversation between a policy holder and an insurance company employee. Choose the correct answers.

- 1 Why is the man calling the agent?
A to file a new auto claim
B to check the status of a claim
C to correct an error on a claim
D to provide an estimate for a claim
- 2 What must the man ask his agent for?
A the coverage amount
B the new policy number
C the estimate of damages
D the time until payment arrives

- 7 Listen again and complete the conversation.

- Employee: Mr. O'Donnell, it looks like the 1 _____ has just completed investigation of your claim. He sent a report to your agent this morning.
- Customer: Well, that's good. Do you know the results of the 2 _____?
- Employee: The estimate of damages was \$3,000.
- Customer: And does my policy 3 _____?
- Employee: You will have to ask your agent about specific coverage 4 _____ through your policy.
- Customer: Okay. Now, 5 _____ payment?
- Employee: 6 _____ your agent receives the claims report, you can call the adjuster to authorize payment.
- Customer: Then how long will it take?
- Employee: Once payment is authorized, a check will arrive in seven to ten days.

Speaking

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

USE LANGUAGE SUCH AS:

It looks like ...

Do you know the results of ...

Once payment is ...

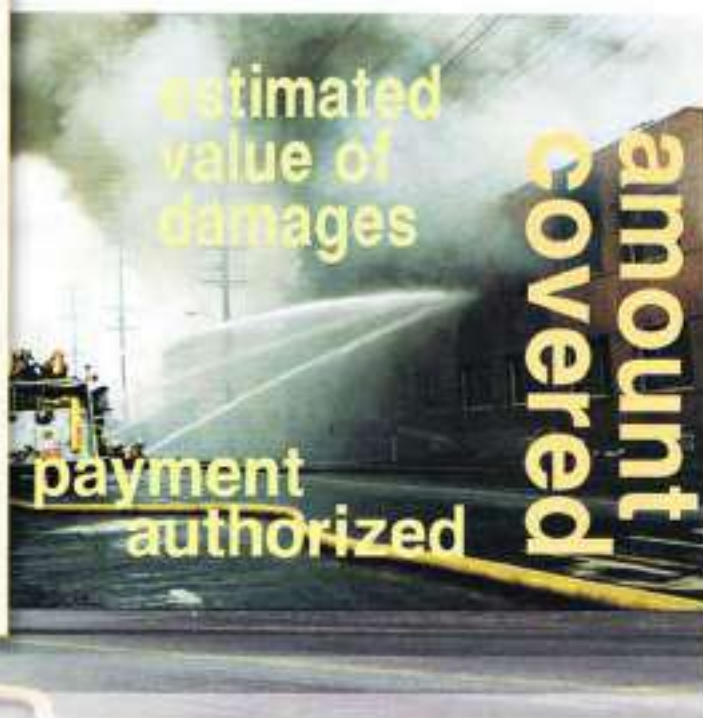
Student A: You are an auto insurance policy holder. Talk to Student B about:

- your claim
- an estimate of damages
- authorization of payment

Student B: You are an insurance company employee. Talk to Student A about an insurance claim.

Writing

- 9 Use the letter and the conversation from Task 8 to write an insurance claim summary on behalf of the insurance company. Include: the estimated value of damages, the amount covered, and payment authorized.

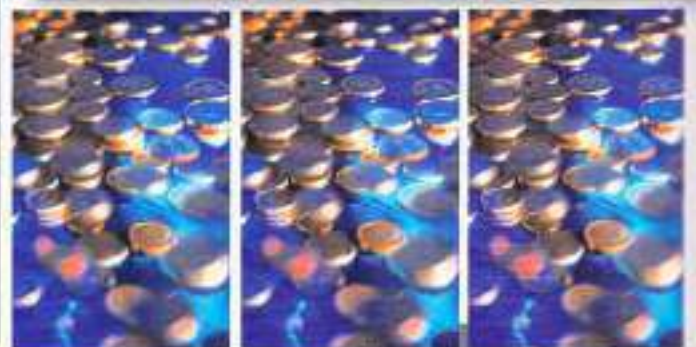


INTEREST RATES GO UP

The Reserve Bank of Lavina announced today that it will take **contractionary** steps to reduce the nation's **money supply**. Rates of **inflation** are rising rapidly in the small nation and there is concern about **price stability** as the currency loses value. And because the Lavinian dollar is **fiat money** and not backed by precious metals, the threat of **hyperinflation** is very real.

In response to that threat, the **central bank** will raise **interest rates** by 1%. A bank spokesman stated that a higher interest rate should encourage savings and discourage lending. The increase may create a greater demand for Lavinian dollars in currency markets, he said. Such an increase in demand could boost the **exchange rate** and strengthen the Lavinian dollar.

In further efforts, the **monetary authority** will attempt to reduce the money supply by selling government bonds. With its **monopoly** on printing **legal tender**, the bank may also stop issuing currency until inflation decreases. The financial world will keep its eyes on the Lavinian economy in the coming weeks to see if the central bank's actions can slow inflation.



fiat money

Get ready!

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

- 1 How can governments control financial activities and economies?
- 2 What currencies are used in your country? In nearby countries?

Reading

2 Read the newspaper article. Then, mark the following statements as true (T) or false (F).

- 1 Contractionary steps increase the amount of money available.
- 2 Fiat money can be affected by hyperinflation.
- 3 The central bank raised interest rates in order to increase lending.

Vocabulary

3 Match the words (1-6) with the definitions (A-F).

- | | |
|--|--|
| 1 <input type="checkbox"/> interest rate | 4 <input type="checkbox"/> legal tender |
| 2 <input type="checkbox"/> inflation | 5 <input type="checkbox"/> price stability |
| 3 <input type="checkbox"/> exchange rate | 6 <input type="checkbox"/> central bank |

- A an institution that controls a nation's money supply
- B the official currency in a country
- C a state in which prices change little over time
- D the worth of one currency against another
- E a percentage of a loan to be paid by a borrower
- F the decrease in value of a currency

4 Read the sentence pair. Choose where the words best fit the blanks.

1 money supply / monetary authority

- A The _____ controls the supply of a country's legal tender.
 B The central bank reduced the nation's _____.

2 monopoly / legal tender

- A The central bank has a _____ as the only printer of currency in a country.
 B Official currency is called _____.

5 Listen and read the newspaper article again. How does the bank hope to boost the exchange rate?

Listening

6 Listen to a conversation between an investor and a financial advisor. Choose the correct answers.

- 1** What did the central bank do?
 A it sold bonds C it raised the interest rate
 B it stopped inflation D it increased the money supply
- 2** What financial action will the man most likely take?
 A take out a loan C spend less money
 B invest in bonds D request more credit

7 Listen again and complete the conversation.

Advisor: The reserve bank is trying to stop inflation by taking **1** _____ steps. It is raising the interest rate and reducing the money supply.

Investor: How does that **2** _____?

Advisor: Basically, higher interest means **3** _____ for borrowers. Which means less money is out there. And with less money, there's less inflation.

Investor: Got it. So **4** _____ my savings? Will I lose money because of this?

Advisor: Usually the government will put out **5** _____. We can invest in those bonds to keep your money secure.

Investor: I'm glad there's a safe option.

Advisor: Of course, that's not a guarantee. We'll have to **6** _____ what happens.

Speaking

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

USE LANGUAGE SUCH AS:

*The central bank raised interest rates ...
 How does that stop inflation?
 We can invest in ...*

Student A: You are an advisor. Talk to Student B about:

- interest rates and inflation
- savings
- recommended investments

Student B: You are an investor. Talk to Student A about inflation and investments.

Writing

9 Use the article and the conversation from Task 8 to write a newspaper article on central banks and inflation. Write about: contractionary measures, interest rates, and the money supply.



Mortgage Rates

30-year Fixed	Interest rates
4.750	3.375
4.953	3.250
	3.000

interest rates
 contractionary measures
 money supply

Get ready!

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

- 1 What are some examples of international organizations?
- 2 What are the functions and responsibilities of those organizations?



European Union



ASEAN



OPEC

International Organizations

In the world of international business, international organizations often play important roles. Familiarity with these organizations' functions and responsibilities is crucial to an understanding of global finance.

International Monetary Fund



Some organizations aim to affect trade around the world. The **International Monetary Fund (IMF)**, located in Washington D.C., aims to promote the expansion of international trade. The **World Trade Organization (WTO)** is based in Geneva, Switzerland. Its goals are to limit trade barriers, and improve the **Gross National Product (GNP)** of some member nations. The **North American Free Trade Agreement (NAFTA)** is an agreement between the United States, Canada, and Mexico; it limits trade restrictions between these countries. **OPEC** aims to protect the interests of countries that produce oil. The **Association of South East Asian Nations (ASEAN)** is a group of Southeast Asian nations who promote economic development throughout their region.

The **United Nations (UN)** was started after World War II. It aims to resolve international conflicts and maintain world peace. The **World Health Organization (WHO)**, an agency of the UN based in Geneva, is devoted to public health. The **European Union (EU)**, a union of European nations, aims to ensure the free passage of goods, people and capital throughout Europe. The **Group of 20 (G20)** includes heads of many of the world's central banks.

In addition to these organizations, numerous **multinational corporations** add to the **complexity** of the world economic scene.



United Nations

Reading

2 Read this page from a business textbook. Then, complete the table using information from the passage.

Organization	Objectives / responsibilities
IMF	1 _____
European Union (EU)	2 _____
3 _____	resolving conflicts; maintaining world peace
4 _____	protecting oil-producing nations' interests

Vocabulary

3 Match the objective/responsibility with the correct organization.

- 1 ___ WTO 3 ___ WHO 5 ___ ASEAN
2 ___ UN 4 ___ EU 6 ___ OPEC

- A to ensure free movement of capital throughout Europe
B to limit international trade barriers
C to co-ordinate efforts for public health
D to promote development in Southeast Asia
E to protect the interests of countries that produce oil
F to maintain world peace

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

Word BANK

GNP IMF NAFTA complexity
Group of 20 multinational corporations

- The _____ of the global economy makes changes difficult to predict.
 - The _____ of the United States is larger than its GDP.
 - _____ eases trade between the United States, Mexico, and Canada.
 - The _____ includes governors of several national banks.
 - Many _____ have production sites in more than one country.
 - The _____ is located in Washington D.C.
- 5 Listen and read the page from a business textbook again. How are NAFTA and the EU similar?

Listening

- 6 Listen to a conversation between a student and a professor. Mark the following statements as true (T) or false (F).
- ___ The UN has mainly financial objectives.
 - ___ The EU was formed to create a single market in Europe.
 - ___ The UN was responsible for creating the euro.
- 7 Listen again and complete the conversation.

Professor: In general, the UN promotes co-operation between nations. And it tries to establish standards for things like international law, and 1 _____.

Student: So its 2 _____ involve humanitarian issues?

Professor: Among other things, yes.

Student: And what about the 3 _____?

Professor: One main 4 _____ of the EU was to establish a single European market.

Student: What is the purpose of that?

Professor: Well, inconsistent laws from one country to the next were getting in the way of 5 _____.

Student: Is that why the EU created the euro?

Professor: Creating a 6 _____ was definitely part of developing a single market.

Speaking

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

USE LANGUAGE SUCH AS:

*In general, the UN ...
What about ...
One main objective of the EU ...*

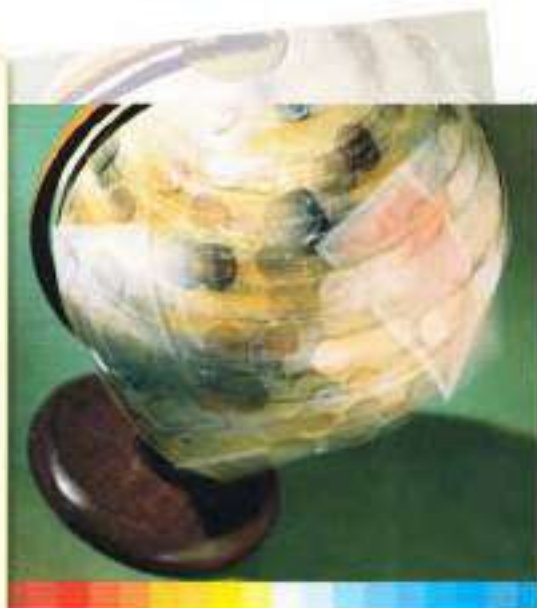
Student A: You are a professor. Talk to Student B about:

- the United Nations
- the European Union
- objectives and responsibilities

Student B: You are a student. Talk to Student A about two international organizations.

Writing

- 9 Use the textbook page and the conversation from Task 8 to write a brief comparison between two international organizations. Include the reasons they were formed and responsibilities.





Economic Indicators Show Change

Mark Elming, the leading economist at *Economic Advisor* magazine, revealed his most recent economic forecast. It predicts an end to the current economic **recession**, which was caused by the **collapse** of the housing **bubble** last year. **Lagging, coincident, and leading indicators** alike, he claims, show a positive shift will occur in the near future.

One such indicator is the increase in **labor mobility**. Individuals are experiencing an increase in prospective job opportunities. Mr. Elming declares that **unemployment** is lower than it has been in three years, suggesting consumers have more money to spend. As a result, spending has increased, even though the **consumer price index (CPI)** shows prices remain low.

Another positive indicator is the **trade** sector, in which **exports** rose as **imports** fell. Likewise, numbers look positive in **housing starts** as well. In the past two months, the number of housing projects in production has nearly doubled. These positive factors ease the fear of the recession sliding into a severe economic **depression**. According to Mr. Elming, the economy should experience a **boom** within six months.

Get ready!

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

- 1 What are some signs an economy is doing well? That it is doing poorly?
- 2 How can you describe a successful economy? A failing one?

Reading

2 Read the article from a financial journal. Then, choose the correct answers.

- 1 What is the article mainly about?
 - A a report on economic trends
 - B a warning about a recession
 - C ways to improve the economy
 - D signs of an economic bubble
- 2 According to the article, why has spending increased?
 - A prices have dropped
 - B unemployment is lower
 - C the trade sector improved
 - D the housing bubble collapsed
- 3 What did NOT increase?

A exports	C housing production
B labor mobility	D unemployment rate

Vocabulary

3 Match the words (1-7) with the definitions (A-G).

- | | |
|--------------------|--------------------------|
| 1 — boom | 5 — housing starts |
| 2 — bubble | 6 — unemployment |
| 3 — collapse | 7 — consumer price index |
| 4 — labor mobility | |

- A the state of not having a job
- B the ability to move and find a better job
- C the number of houses begun in a time period
- D a sudden, rapid growth
- E to fail or shrink rapidly
- F the measure of average prices paid for products
- G an economic disturbance caused by trading products at inflated prices

- 4 Place the words and phrases from the word bank under the correct heading.

Word BANK

leading indicator import trade
lagging indicator depression recession
coincident indicator export

Economic Decline	Economic Signs	Exchange Concepts

- 5 Listen and read the article from a financial journal again. Why is the economy in recession?

Listening

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

- ___ Harris Incorporated is a leader in construction.
- ___ The woman recommends avoiding investments involving trade.
- ___ The man decides to invest in Sustainable Finance.

- 7 Listen again and complete the conversation.

Advisor: The next one is Marshall Alliance.
Investor: And what do they do?
Advisor: Basically, they 1 _____. But trade is increasing, so they'll do well.
Investor: Okay, that makes sense. So what's the last one?
Advisor: My final suggestion is 2 _____. It's an investment firm that finances environmentally-friendly businesses.
Investor: Now 3 _____ really interesting. But why do you recommend them?
Advisor: Well, I think they will 4 _____. There'll be a high demand for their services, so an investment with them should grow significantly.
Investor: That 5 _____. Are you sure it's a good 6 _____ investment though?
Advisor: I believe so. I don't think it's 7 _____ bubble.
Investor: Thanks, Laura. I'll let you know when I decide.

Speaking

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

USE LANGUAGE SUCH AS:

And what do they do?
 My final suggestion is ...
 Why do you recommend them?

Student A: You are a financial advisor. Talk to Student B about:

- two recommended investments
- why you recommend them

Student B: You are an investor. Talk to Student A about his or her recommendations.

Writing

- 9 Use the article and the conversation from Task 8 to write a letter recommending investments to a client. Include the types of companies and economic indicators that suggest they are good investments.



14 Economic stability

Finance Monthly June Ed.

Reduced

XS-S

private consumption

Can We Stabilize the Economy?

John Harris

Every business and citizen is facing a problem: the **economy** is out of control. In January, unemployment fell by 2% and **Gross Domestic Product (GDP)** was estimated to increase by 0.5%. But by March, unemployment increased by 3% and estimated GDP fell by 0.9%. But this didn't lead to **deflation**. Instead, the price of oil rose to \$100 per barrel in April. And when oil prices climbed, so too did the prices of almost everything else.

But why such drastic **fluctuations**? The early increases were due to positive economic reports about the coming year. The drops were caused by a sudden decrease in **private consumption**. This contraction in spending was likely due to the lower than expected activity in the real estate market. Because **gross private investment** did not meet expectations, employers **let go of** new hires as stock market values fell. Consumers in turn stopped spending, leading to more layoffs. But what will happen if this trend continues?

The worst-case scenario is that the economy **falls into stagflation**. Prices continue to rise as the economy **struggles** to grow. It's a situation that no one wants. But how can we stop it? We have two options. We could increase **government spending** to combat the **sluggish** economy. But that can worsen inflation. The better choice is to increase the supply of oil. Oil prices would then **stabilize**, along with the price of other products.

Get ready!

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

- 1 What activities make an economy stronger?
- 2 What factors can slow economic growth?



Reading

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

- 1 What is the article mainly about?
A a method of creating jobs
B a changing economy and solutions
C how an economy entered a depression
D ways to increase government spending
- 2 Which of the following fluctuations did NOT occur?
A decreased private consumption
B higher unemployment rates
C lower stock market values
D increased real estate activity
- 3 Why doesn't the author want to increase government spending?
A It lowers GDP.
B It increases inflation.
C It raises the price of oil.
D It contracts real estate activity.

Vocabulary

3 Match the words (1-6) with the definitions (A-F).

- | | |
|-------------------|---------------------------|
| 1 ___ economy | 4 ___ stagflation |
| 2 ___ sluggish | 5 ___ government spending |
| 3 ___ fluctuation | 6 ___ private consumption |

- A a state of rising inflation and little or no economic growth
B being slow or not growing quickly
C a system of production and consumption
D a change
E the purchase of goods and services by a government
F the purchase of goods and services by individuals

4 Read the sentence pair. Choose where the words best fit the blanks.

1 fell into / let go of

A Tech Inc. _____ three employees today.

B The economy _____ a recession.

2 GDP / gross private investment

A The nation's _____ grows when production increases.

B Lower spending means a lower _____.

3 stabilize / struggle

A Unemployed people _____ to pay bills.

B The economy will _____ when spending increases.

5 Listen and read the magazine article again. Why is the price of oil important to the economy?

Listening

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

1 ___ The man disagrees with the author.

2 ___ The woman does not think stagflation will occur soon.

3 ___ Both speakers want to see increased oil production.

7 Listen again and complete the conversation.

Accountant 1: Are you talking about the column in Financial Monthly?

Accountant 2: Yes! I thought it was a really 1 _____ of the situation.

Accountant 1: I couldn't agree with you more. The author 2 _____.

Accountant 2: He really did. Although, I don't think the economy will 3 _____ stagflation so quickly.

Accountant 1: No? To 4 _____, it worries me. Oil prices keep rising, and so does unemployment.

Accountant 2: I guess that's true. But I think that 5 _____ is still an option.

Accountant 1: Oh, of course, of course. I'd still like to see oil production increase, though.

Accountant 2: Yeah. Me, too. 6 _____, right?

Speaking

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

USE LANGUAGE SUCH AS:

Are you talking about the ...
I couldn't agree with you more.
I think that increasing ...

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

- a financial article
- your opinion of the article
- ways to stabilize the economy

Student B: You are an accountant. Talk to Student A about a financial article.

Writing

9 Use the article and the conversation from Task 8 to write an article on economic stability. Include: fluctuations, possible consequences, and solutions.

consequences
possible
economic
stability
fluctuations
solutions