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**BUSINESS ENGLISH UPGRADE:  
Feel Confident in Global Economic Environment**

Study guide

Recommended by the Academic Council of Sumy State University



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Study guide «*Business English Upgrade: Feel Confident in Global Economic Environment*» is a course for learners who need to be able to use English in the global environment. The course is intended for students majoring in economics, suitable for both self-study and classroom use. In addition to texts and exercises, this book provides «*Ideas for Discussion*» section; it gives students opportunities to apply what they have learned, reinforce basic communication skills.

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## **PREFACE**

The forces shaping the revolution in banking and capital markets have radically changed the global economic landscape during the past three decades. Understanding how key concepts and contexts of global economic landscape influence each other is vital in our globalized world.

The study guide aims at developing students' ability at future workplace and enhancing their knowledge in global economic environment. It is based on the content language learning approach with the close integration between the language and the content. Task-based activities aiming at enhancing different language skills and content knowledge learning have been implemented. Obviously, with the help of this study guide, future professionals in the economic field will be equipped with necessary language and academic skills to master the content of the subject.

The authors propose various learning activities to foster students' language skills. In terms of language learning objectives, via a variety of activities, this study guide aims to enhance students' four language skills, in particular: advancing students' reading ability (via text reading, authentic material from internet); developing students' oral fluency, and presentation skills (via role-plays, presentations); improving students' writing ability (via written assignments, written quizzes); providing students with opportunities for cooperative learning (via group work for projects, role-plays); developing students' critical thinking skills (through evaluating other group projects and presentation performance).

This book is comprised of six parts; topics covered include the problems of mergers and acquisitions, takeovers and sell-offs, ethics, global trade, monetary policy, finance and marketing sectors. The six parts offer a comprehensive journey through which

readers will learn to appreciate the complexity of global economic landscape situations and the relevance of seeing the systemic coherence of the world.

The materials can be used as a part of the language course for Master-degree students majoring in economics or as a handy reference for students' self-study.

# PART I. ETHICS

## 1. Lead in:

- What aspects of ethics did you study prior to qualifying?
- What is the purpose of a business, in your opinion? Is it just to make money?
- What do you understand by these phrases:
  - a) business ethics;
  - b) a code of good practice;
  - c) a mission statement?
- Should mission statements include statements about ethics?

## 2. Pre-reading: before reading the text, discuss with a partner the meanings of the words in bold in these sentences:

- 1) it is crucial to **distinguish** between cash basis and accrual basis of accounting;
- 2) most CEOs resist the **temptation** to use their accounting system to misrepresent the results of operations;
- 3) here is a list of **ad-hoc** accounting queries;
- 4) the panel discussed why **consistency** of accounting standards matters;
- 5) the candidate should have the ability to orally **articulate** audit findings and procedures;
- 6) our software helps accountants check the accuracy and completeness of the **underlying** accounting data.

## 3. Ordering a text: re-order the paragraphs in this extract from a report about ethical reporting principles so that they read logically.

## ETHICAL REPORTING PRINCIPLES

A	Finally, it is also important to distinguish what activities are truly voluntary and what are not. For example, there are legal requirements on some industries (notably the telephone, water, gas and electrical sectors) related to providing easy access to services for disabled customers. Despite being excellent work, it would not be appropriate to claim this as part of a voluntary program covering social responsibility in business
B	Companies should also avoid the temptation to advertise themselves as having solved all their problems. It is far better for a company to commit to continuous improvement in this arena
C	A key test of leadership is the consistency with which the company's different forms of communication reflect the same message
D	This integration of reporting to cover not only financial but also social and environmental issues can permit a 'triple bottom line' form of accounting or a development into 'sustainability reporting' – that is, reporting on all the company's activities in a way that demonstrates its commitment to meeting long-term as well as short-term responsibilities and goals
E	For many companies, the formal Annual Report can act as a spine, containing core messages and articulating central purpose, values and principles. Numerous larger companies already make a point of connecting this with their other communications on social and environmental issues. They thus make it clear that there is a genuine company approach to overall social impact, rather than just a set of ad-hoc initiatives

F	However, it's important not to over-claim. This can create the impression that your work is just a publicity front. Commercial sponsorship, for example, should not be presented as community investments
G	Separate reports on environmental or social impact are therefore valuable, but they need very clear links back to the underlying logic of your business purpose

**4. Vocabulary building: match the words (1–6) from the text in exercise 5 with their meanings (A–F)**

1	to adhere to	A	endorse
2	vigilant	B	protect
3	adopt	C	failure
4	errant	D	cautious
5	safeguard	E	mistaken
6	oversight	F	to comply with

**5. Predicting unknown words**

In this extract, some of the words have been replaced by the names of animals. Read the whole article, then look carefully at the words before and after each animal name and try to predict:

- what type of words is missing – verb, noun, adjective, ect.;
- the exact word required to complete the gap.

Example: (0) *noun – creditors*

Accounting and Professional Ethics

Because investors and (0) **horses** place great reliance on financial statements in making their investment and credit (1) **snakes**, it is imperative that the financial reporting process be (2) **tiger** and dependable. Accountants are expected to behave in an entirely (3) **monkey** fashion, and this is generally the case. To help ensure



integrity in the reporting process, the profession has adopted a **(4) wolf** of ethics with which its licensed members must **(5) crocodile**. In addition, checks and **(6) foxes** via the audit process, government oversight, and the ever-vigilant ‘plaintiff’s attorney’ all serve a **(7) whale** role in providing additional safeguards against the errant **(8) giraffe**. If you are preparing to enter the accounting profession, you **(9) mouse** do so with the intention of behaving with honor and integrity. If you are not planning to enter the profession, you will likely **(10) bat** upon accountants in some aspect of your personal or professional **(11) elephant**. You have every right to expect those accountants to behave in a completely trustworthy and ethical fashion. After all, you will be **(12) bear** them with your financial resources and confidential information.

## **6. Discussion: A Question of Ethics. Work in groups. What should you do in each of these situations?**

1. The best-qualified person for the post of Sales Manager is female. However, your customers would prefer a man. If you appoint a woman you will probably lose some sales.
2. Your company has a new advertising campaign which stresses its honesty, fairness and ethical business behavior. It has factories in several countries where wages are very low. At present it is paying workers the local market rate.
3. A colleague working in a hospital has been making mistakes at work recently. This is because she has a serious illness. You are her friend and the only person at work who knows this. She has asked you to keep it a secret.

**7. Andy Hammelton works for the Co-operative Bank in Manchester, England. The bank is well-known for its policy of ethical investment. Listen to the first part of the interview and**

**answer these questions (Listening 11.1, Market Leader (Intermediate), Course Book)**

1. How was the bank's ethical policy developed?
2. How does the bank check that its policy is in touch with customer's views?
3. What examples does Andy give of a business the bank will not invest in?
4. What kind of businesses does the bank like?

**8. Listen to the second part of the interview. Are the following statements true or false, according to Andy? (Listening 11.2, Market Leader (Intermediate), Course Book)**

1. Business activity does not necessarily affect the environment and society
2. It is easy to see how the financial services sector can affect society
3. The bank has been actively involved in the following areas:
  - a) landmine removal;
  - b) human rights;
  - c) fair trade.

**9 Listen to the next part of the interview and complete these extracts (Listening 11.3, Market Leader (Intermediate), Course Book)**

1. The only truly successful businesses will be those that achieve a ..... between their own interests and those of society and .....
2. Our position has enabled us to ..... , develop our brand and have a ..... on the bank's bottom line
3. Higher trust creates ..... . First, because customers trust you, they are less likely to ..... in the first place. Second, if you do make a mistake, they are more likely to .....

## **10. Do the quiz with a partner and discuss your answers**

### **ETHIC QUIZ**

#### **1. Records transfer**

A former tax client of yours demands you provide copies of all his records to his new accountant. The former client has not yet paid you for preparing last year's tax returns

*How would you respond to this request?*

#### **2. Business valuation**

Your client, ABC Pest Control, for whom you've only prepared corporate tax returns, has asked you to perform a business valuation for the purpose of a buy-sell insurance contract for the two stockholders. You have never formally performed a business valuation and possess no ABV or CVA designations

*Would you provide this service to your client?*

#### **3. Client confidentiality**

You specialize in accounting for fish processors. Your client, Best Fish, requires an audited financial statement. You are currently engaged in an audit of Top Fish, a competitor of Best Fish. In the audit of Top Fish, you learn that a customer of both businesses is about to file for bankruptcy

*Can the CPA perform the audit for both clients, and can the information learned in the Top Fish engagement be used in the Best Fish engagement?*

#### **4. Disclosure conflict: business**

A general partnership owned by two partners engages you to provide services to the partnership and each of the partners. One partner has a 70 % share and the other 30 %. Two years into the engagement, the majority partner solicits you to provide confidential advice on how to creatively finance some large debts he has accumulated

*What are the issues in this request?*

## 5. Fiduciary duty

You have been doing tax work for a limited partnership as well as for general partners of the partnership. After three years, you notice the general partners are paying themselves fees larger than those that were specified in the limited partnership agreement

*How would you address this situation?*

**11. Gapped text: for each section of the text (1–6), select the best sentence (A–G) to complete it. Remember to read the sections prior to and after each gap carefully. Discuss your choices with a partner. There is one extra sentence which you do not need to use**

### THE ETHICAL DILEMMA

Imagine that you are the Chief Financial Officer of a medium to large company. It is April, and the Chief Executive Officer has just returned from a meeting with the company's bankers. She calls you to her office to discuss the results of the negotiations. As things stand, the company requires a fairly significant injection of capital, which will be used to modernize plant the equipment.

(1) .....

Existing machinery is incapable of manufacturing the required level of quality. Whilst the bank is sympathetic, current lending policies require borrowers to demonstrate an adequate current and projected cash flow, as well as a level of profitability sufficient to indicate a capacity to make repayments from an early date. (2) ..... Strictly speaking, the figures would not satisfy the bank's criteria.

The CEO reminds you of all of this and then mentions that she has told the bank that the company is in excellent shape, that she believes that its financial results will meet the criteria and that she will ask the Chief Financial Officer to deliver a financial report to the bank at the beginning of the next week. She tells you that it is

up to you to decide upon the contents of that report. Two final pieces of information:

- you have recently purchased a home, leveraged with a significant mortgage;
- failure to invest and gain the promised new orders is almost certain to lead to major retrenchments of personnel.

Let's look at some of the most obvious ethical questions arising in a case such as this: should the accountant tell the truth to the bank, irrespective of the consequences? Does the accountant have a duty to do everything possible to ensure the preservation of jobs at the factory? **(3)** .....

Whilst this presentation involves a fictional dilemma, it is not too far removed from the actual experience of many practitioners. Even so, it is important to realize that there is still something rather artificial about such a construction. It's not that the case is unreal. **(4)** .....

Indeed, one of the things that we need to acknowledge is that many people find it difficult to recognize an ethical dilemma as such. It is not that most people are inherently unethical. **(5)** .....

Before trying to explain the reason for this, it may be interesting to pause and consider some of the relatively "invisible" cases where ethical questions seem to be ignored. Take a simple example: have you ever seen a person avoid taking a telephone call by telling someone else to answer and say that the person is not there? Even such a simple case has at least two aspects to consider. **(6)** .....

Some might respond by saying that this sort of behavior is quite harmless. But is it really? What sort of message does such behavior give about the prevailing values of an organization? How easy is it to accept an avowal of honesty from a person who is habitually deceitful for the sake of minor personal convenience?

**A** Instead, the problem is that many people are unconscious of the fact that nearly everything that they do has an ethical dimension.

**B** Rather, the problem arises from the fact that most ethical dilemmas are of a much smaller dimension, perhaps lacking the obvious significance of the type of “big-ticket” issue outlined above.

**C** The company has been promised new orders if it can produce goods to an international standard.

**D** Firstly, there is the matter of deceit, and secondly there is the matter of getting someone else to do the “dirty work”.

**E** How should the accountant tackle the matter of loyalty to the CEO?

**F** Practical concerns and pragmatic considerations can make one relatively blind when it comes to spotting ethical issues which arise.

**G** The problem is that, largely because of some industrial problems, the business has not been performing at a level which realizes even its “unimproved” potential.

## **12. Discuss the given questions.**

1. Why is corruption more common in some countries than in others?
2. What are the consequences of corruption in your opinion?

## **PART II. MERGERS, TAKEOVERS, ACQUISITIONS, SELL-OFFS**

### **1. Lead in:**

- What is a merger?
- What is a takeover?
- What is a takeover bid?
- What is a raid?
- What is a friendly takeover?
- What is a hostile takeover?
- Why do companies merge?
- Why do companies buy other companies?
- Think of a recent merger or takeover that was reported in the press: what were the reasons behind it?

### **2. Reading: read the text and match the titles (1–5) to the paragraphs (A–E).**

#### **Mergers, takeovers and buyouts:**

1. disadvantages of takeovers;
2. raiders and asset-stripping;
3. raids and bids;
4. the “make-or-buy” decision;
5. the role of banks.

**A.** Successful companies generally want to diversify: to introduce new products or services, and enter new markets. Yet entering new markets with new brands is usually a slow, expensive and risky process, so buying another company with existing products and customers is often cheaper and safer. If a company is too big to acquire, another possibility is to merge with it, forming a new company out of the two old ones. Apart from diversifying, reasons for acquiring companies include getting a stronger position in a

market and a larger market share, reducing competition, benefiting from economies of scale, and making better use of plant and equipment.

**B.** There are two ways to acquire a company: a raid and a takeover bid. A raid simply involves buying as many of a company's stocks as possible on the stock market. Of course if there is more demand for stock than there are sellers, this increases the stock price. A takeover bid is a public offer to a company's stockholders to buy their stocks at a certain price (higher than the current market price) during a limited period of time. This can be much more expensive than a raid, because if all the stockholders accept the bid, the buyer has to purchase 100 % of the company's stocks, even though they only need 50 % plus one to gain control of a company. (In fact they often need much less, as many stockholders do not vote at stockholders' meetings.) If stockholders accept a bid, but receive stocks in the other company instead of cash, it is not always clear if the operation is a takeover or a merger – journalists sometimes use both terms.

**C.** Companies are sometimes encouraged to take over other ones by investment banks, if researchers in their Mergers and Acquisitions departments consider that the target companies are undervalued. Banks can earn high fees for advising on takeovers.

**D.** Yet there are also a number of good arguments against takeovers. Diversification can damage a company's image, goodwill and shared values (e. g. quality, good service, innovation). After a hostile takeover (when the managers of a company do not want it to be taken over), the top executives of the newly acquired company are often replaced or choose to leave. This is a problem if what made the company special was its staff (or "human capital") rather than its products or customer base. Furthermore, a company's optimum size or market share can be quite small, and large conglomerates can become unmanageable and inefficient. Takeovers do not always result in synergy. In fact, statistics show



that most mergers and acquisitions reduce rather than increase the company's value.

**E.** Consequently, corporate raiders and private equity companies look for large conglomerates (formed by a series of takeovers) which have become inefficient, and so are undervalued. In other words, their market capitalization (the price of all their stocks) is less than the value of their total assets, including land, buildings and – unfortunately – pension funds. Raiders can borrow money, usually by issuing bonds, and buy the companies. They then split them up or sell off the assets, and then pay back the bonds while making a large profit. Until the law was changed, they were also able to appropriate the pension funds. This is known as asset-stripping, and such takeovers are called leveraged buyouts or LBOs. If a company's own managers buy its stocks, this is a management buyout or MBO.

### **3. Vocabulary**

Find words or phrases in the text that mean the following:

- adding new and different products or services;
- a company's sales expressed as a percentage of the total sales in a market;
- reductions in costs resulting from increased production;
- money paid to investment banks for work done;
- all the individuals or organizations that regularly or occasionally purchase goods or services from a company;
- best, perfect or ideal (adjective);
- combined production or productivity that is greater than the sum of the separate parts;
- people or companies that try to buy and sell other companies to make a profit;

- large corporations or groups of companies offering a number of different products or services;
- buying a company in order to sell its most valuable assets at a profit.

#### 4. Listening: the role of banks (Track 17, English for the Financial Sector)

You are going to listen to Peter Sinclair talking about the role of banks in mergers and takeovers. Before you listen, check your understanding of the words and phrases (1–5) below by matching them with their definitions (a–e).

1	a buying spree	A	a period when an economy is doing badly
2	boom	B	buying a lot in a short period
3	cyclical (adjective)	C	to try to get new customers
4	slump	D	a period when an economy is doing very well
5	to drum up business	E	going round and round or repeating

Now listen, and look at the following statements. Are they true or false, according to Peter Sinclair?

- Investment banks sometimes encourage companies to acquire other ones, because this creates business for the bank.
- The acquisitions policy of well-managed companies can be influenced by banks.
- There are more takeovers when share prices are high.
- Share prices were high all through the 1980s and 1990s.
- When share prices were high, investment banks tell companies what to buy.

- A company that doesn't want to be taken over will get advice from a large financial institution such as an investment bank.
- The value of merchant banks has recently gone down.

## 5. Business vocabulary in use: Mergers, takeovers and sell-offs

### A. Learn the information: stakes and joint ventures.

- A stake/an interest/a holding in a company – the shares that an investor has in a company
- A majority stake/interest/holding – when more than half of a company's shares are owned by one investor, giving them control over how the company is run
- A minority stake/interest/holding – when fewer than half of a company's shares are owned by one investor
- Two companies may work together in a particular area by forming an *alliance* or *joint venture* – they may remain separate companies, or form a new company in which they both have a stake.

### B. Learn the information: Mergers and takeovers.

- Delta Air Lines and Northwest Airlines are *to merge* (join) in a deal that will create the world's biggest carrier. *The merger* (combination) could well bring about further *consolidation* (reduction in the number of companies) in the US airline industry.
- Commerzbank, until not long ago seen as a poor fourth in German banking – and seemingly inevitable *prey* (company that might be bought) for a *takeover* (purchase) – has become a *predator* (possible buyer), and is about to *acquire* (buy) its rival, Allianz.
- Yahoo on Wednesday rejected allegations by Carl Icahn, the investor, that it had damaged the chances of any *acquisition* (taking control by buying most or all of its shares) by

Microsoft with an expensive worker compensation plan. The internet company said Mr. Icahn's reference to its employee plan as a *poison pill* (something that makes a company less attractive to buy) 'could not be further from the truth'.

- Continental has potential investors who could act as *white knights* (companies which can save another from being bought against their will) as the German motor supplier seeks to *fend off* (resist) an €11.3 billion (\$17.6 billion) *hostile bid* (unwanted attempt to buy it) from Schaeffler, its privately owned rival. Continental is in talks with five strategic and financial investors that are prepared to pay a higher price than Schaeffler's *takeover bid* (attempt to buy it) launched last week.

### C. Learn the information: Conglomerates.

- 1909 Lonrho began operating in Africa.
- 1961 Tiny Rowland started to transform the company into a worldwide conglomerate.
- 1995 Lonrho's African non-mining businesses had expanded, with the parent company controlling approximately 90 subsidiaries that had diversified into a wide range of business activities.
- 1995 Lonrho decided to restructure these African non-mining businesses into five core activities: motors, agribusiness, distribution, hotels and property, and construction.
- 1998 These businesses were demerged in a process of divestment and a new company was created.
- 2000 Lonrho began to refocus and to follow a strategy of divesting its non-core assets in order to pay off its debt.
- Most of Lonrho's assets had been sold and the disposal program completed.
- Lonrho starts to rebuild an African conglomerate.

**6. Match the two parts of these sentences containing expressions from Exercise 5 (A and B).**

- 1) The Canadian government decided to sell up to 45 per cent of Air Canada to the public
  - 2) The BBC has a minority
  - 3) Russia's second biggest airline is trying to buy a stake
  - 4) China signed an agreement with Airbus to develop jointly a regional jet. The program will be managed through a joint
  - 5) New Tribune shares will be issued to company employees over time, and they will eventually gain a majority
- A) venture company in which China will have a 46 % stake, Airbus 39 per cent and Singapore Technologies 15 %.
- B) and keep a 55 % controlling stake.
- C) interest in the successful satellite channel UK Gold.
- D) holding of the company's common shares.
- E) in a US airline so that they can work out a marketing alliance.

**7. Which expressions from Exercise 5 (A and B) do the words in italics in these headlines refer to?**

- A) GERMAN TRUCKMAKER MAN IN FRIENDLY *APPROACH* TO SWEDISH RIVAL SCANIA.
- B) FORD TO *BREAK UP* ITS EUROPEAN LUXURY DIVISION TO RAISE CASH.
- C) MIDWEST REJECTS AIRTRAIN'S "*INADEQUATE*" *OFFER* OF \$11.25 PER SHARE.
- D) UK COMPANIES UP FOR SALE TO FOREIGN *BUYERS*.
- E) CONOCO IN *COMBINED OPERATION* WITH ORIGIN ENERGY IN CANADIAN NATURAL GAS.
- F) MFI IN POSSIBLE *COMBINATION* WITH HOMEFORM.

**8. Use correct forms of expressions from Exercise 5 (C) to complete what a journalist says about conglomerates.**

If a large company that has previously (1) \_\_\_\_\_ a wide range of activities then finds that some of these are becoming less profitable, it may decide to sell those (2) \_\_\_\_\_ that do not fit in with its overall strategy. The board of the (3) \_\_\_\_\_ may talk about (4) \_\_\_\_\_ these activities and (5) \_\_\_\_\_ so that they can get out of particular businesses. In this case, the group makes (6) \_\_\_\_\_ of its (7) \_\_\_\_\_ a \_\_\_\_\_ and uses the money from these (8) \_\_\_\_\_ to invest in and concentrate on its (9) \_\_\_\_\_ activities.

**9. Over to you.**

- Why do companies form joint ventures?
- Describe a recent merger in your country or elsewhere. Why did the companies merge?
- What is the core activity of your country's biggest company?

**10. Which of the following companies do you think have formed strategic alliances? Match the ones on the left with the ones on the right.**

Disney	Daimler Benz
Starbucks	Miramax
Chrysler	Pepsico

Listen to a consultant talking about the alliances and check your answer to the above question (Track 1, Intelligent Business. Coursebook. Upper Intermediate).

## **11. Listen again and answer the questions.**

- a) why did each of the pairs of companies want to form an alliance?
- b) which alliances succeeded, and why?
- c) which alliance failed, and why?

## **12. Reading: mergers and acquisitions.**

Read the text and decide if the author is generally optimistic or pessimistic about future strategic alliances.

### **SPRING IN THEIR STEPS**

After a long hibernation, company bosses are beginning to rediscover their animal spirits. The \$145 billion-worth of global mergers and acquisitions announced last month was the highest for any month in over three years. There are now lots of chief executives thinking about what target they might attack in order to add growth and value to their companies and glory to themselves. Although they slowed down for a while because of the dot-com boom, they are once again on the prowl.

What should CEOs do to improve their chances of success in the coming rush to buy? First of all, they should not worry too much about widely-quoted statistics suggesting that as many as three out of every four deals have failed to create shareholder value for the acquiring company. The figures are heavily influenced by the time period chosen and, in any case, one out of four is not bad when compared with the chances of getting a new business started. So they should keep looking for good targets.

There was a time when top executives considered any type of business to be a good target. But in the 1990s the idea of the conglomerate, the holding company with a diverse portfolio of businesses, went out of fashion as some of its most prominent protagonists – CBS and Hanson Trust, for example – faltered. Companies had found by then that they could add more value by

concentrating on their “core competence”, although one of the most successful companies of that decade, General Electric, was little more than an old-style conglomerate with a particularly fast-changing portfolio.

Brian Roberts, the man who built Comcast into a giant cable company, was always known for concentrating on his core product – until his recent bid for Disney, that is. It is not yet clear whether his bid is an opportunistic attempt to acquire and break up an undervalued firm, or whether he is chasing the media industry’s dream of combining entertainment content with distribution, a strategy which has made fortunes for a few but which regularly proves the ruin of many big media takeovers.

If vertical integration is Comcast’s aim, then it will be imperative for Mr. Roberts to have a clear plan of how to achieve that. For in the end, CEOs will be judged less for spotting a good target than for digesting it well, a much more difficult task. The assumption will be that, if they are paying a lot of money for a business, they know exactly what they want to do with it.

If CEOs wish to avoid some of the failures of the 1990s, they should not forget that they are subject to the eternal tendency of business planners to be over-confident. It is a near certainty that, if asked, almost 99 % of them would describe themselves as “above average” at making mergers and acquisitions work. Sad as it may be, that can never be true.

They should also be aware that they will be powerfully influenced by the herd instinct, the feeling that it is better to be wrong in large numbers than to be right alone. In the coming months they will have to watch carefully to be sure that the competitive space into which the predator in front of them is so joyfully leaping does not lie at the edge of a cliff.



**13. Read the text “Spring in Their Steps” again. Are the following statements *true* or *false*?**

- a) in the first paragraph, the author says that CEOs can no longer find targets for mergers and acquisitions.
- b) studying facts and figures from the recent past won't necessarily help CEOs to form a successful alliance.
- c) the trend in the 1990s was for companies to build portfolios with diverse investments.
- d) the author suggests that media mergers are always likely to improve share value.
- e) CEOs need above all to find the right company to acquire.
- f) if business planners wish to avoid some of the errors of the 1990s, they should be prudent when taking risks.

**14. Answer the questions according to the text.**

- a) why did CEOs reduce their involvement in mergers and acquisitions for a time?
- b) why should CEOs ignore the statistics concerning the success rate of acquisitions?
- c) what should CEOs be aware of when venturing into alliances?

**15. Speaking: do you agree with the author when he suggests that only one in four acquisitions actually creating shareholder value is a good success ratio? Why do companies find it difficult to make mergers work?**

**16. Vocabulary: match the words (1–6) from the text with their meanings (A–F).**

1	shareholder value (para 2)	A	a collection of companies
2	conglomerate (para 3)	B	an offer to buy

3	portfolio (para 3)	C	most important activity
4	core competence (para 3)	D	controlling all stages of one particular type of business
5	bid (para 4)	E	organization comprising several companies
6	vertical integration (para 5)	F	what stocks in a public company are worth

### 17. Vocabulary: metaphors.

The text contains several hunting and animal metaphors, e. g. *on the prowl* (looking for victims). Why do you think the author uses this kind of metaphor?

Find the metaphors in the text which mean:

- a) period of sleeping through the winter (para 1);
- b) instincts (para 1);
- c) something to aim at (para 1);
- d) one who hunts another (para 7).

### 18. Practice: complete the article about mergers with the words (A–H) from the table.

A	fortunes	E	failure
B	chances	F	portfolios
C	growth	G	shareholder value
D	targets	H	acquire

### TO MERGE OR NOT TO MERGE

Companies engage in acquisitions and mergers because that is one of the easiest ways to secure fast (1) \_\_\_\_\_ and diversity their investment (2) \_\_\_\_\_. As Europe expands and investors increase, the idea of merging appeals to more and more companies.

Moreover, the dale of government-owned businesses has meant that large companies are entering the market, aiming to (3) \_\_\_\_\_ potential rivals but often at the same time becoming possible (4) \_\_\_\_\_ for other companies on the prowl. However, with all this merger activity the (5) \_\_\_\_\_ of success are still not good, and statistics show that many fail.

Yet every time two major companies announce a merger, euphoria sweeps the stock markets as dealers and shareholders look forward to making huge (6) \_\_\_\_\_. Many alliances are not financially successful, however, and don't succeed in increasing (7) \_\_\_\_\_ or creating wealth for all involved. Too often, culture conflicts and personality clashes are part of the reason why alliances end in (8) \_\_\_\_\_. As Steven Barrett, head of Mergers and Acquisitions at accountants KPMG said, 'When they don't work, the two key management groups do not blend well together.'

**19. Review of Tenses: study the examples taken from the text 'Spring in Their Steps' and answer the questions about tenses below:**

- a) ... company bosses *are beginning* to rediscover their animal spirits. (para 1);
- b) ... as many as three out of every four deals *have failed* to create ... (para 2);
- c) companies *had found* by then that they could add ... (para 3);
- d) ... a strategy which ... regularly *proves* the ruin of many ... (para 4);
- e) ... CEOs *will be judged* less for spotting a good target than for ... (para 5).

✓ Which example:

- refers to unspecified time or a period of time up to the present;
- is making a prediction;

- refers to a situation changing in the present;
- refers to a repeated action in the present;
- gives the background information or an explanation for a past event.

✓ Which tense is used in each example?

✓ Which of the following pairs of time markers are most commonly used with each of the tenses above?

- by that time, by 2001;
- before long, in the coming weeks;
- recently, since the 1990s;
- generally, these days;
- at the moment, right now.

**20. Complete the article with the appropriate tense of the verbs in brackets.**

After many weeks of negotiation, William B Harrison, CEO of JP Morgan Chase, and Jamie Dimon, of Bank One, (1) \_\_\_\_\_ (sign) a deal. As part of the deal, Jamie Dimon, who (2) \_\_\_\_\_ (be) the CEO at Bank One since he left Citigroup, (3) \_\_\_\_\_ (accept) the position of Chief Operating Officer for the next two years after which he (4) \_\_\_\_\_ (become) the CEO. Mr. Harrison has also agreed, on behalf of his shareholders, to pay \$7 billion to Dimon for the privilege of keeping the post of CEO for two years.

The situation only became clear after the deal was made and signed: up until then, Dimon, the top man at Citigroup before joining Bank One, (5) \_\_\_\_\_ (not want) to take a black seat under the new deal and only agreed to a simple merger of equals on the condition that he became CEO. Harrison, who (6) \_\_\_\_\_ (make) some

disastrous acquisitions over the years, wasn't happy because he wanted to finish his career on a high.

Shareholders generally (7) \_\_\_\_\_ (not get) the chance to negotiate in these situations and now they (8) \_\_\_\_\_ (become) increasingly unhappy as a result. Although this particular clash of egos (9) \_\_\_\_\_ (cost) them \$7 billion, at least they know that they (10) \_\_\_\_\_ (see) a significant increase in the share price as a result of the merger.

**21. Joan Woolley, CEO of Xsellnet, a management solutions provider for mobile systems, is making a speech. Listen to part one and order the events in the company's recent history. (Track 2, Intelligent Business. Coursebook. Upper Intermediate).**

- won the "Technology Company of the Year" award;
  - was taken over by Wireless Ltd;
  - started trading independently;
  - took a difficult decision;
  - went through a difficult financial period;
  - borrowed money from a bank;
  - experienced a difficult period of integration.
- ✓ Listen again and answer the questions.
- Which tense does she use when talking about "the last few years"?
  - Which tense does she use when talking about 2002?
  - Which tense does she use when talking about the alliance?

- ✓ Listen to part two, where Ms. Woolley is answering a journalist's question about why the merger failed, and list the four reasons she gives.

1 \_\_\_\_\_;

2 \_\_\_\_\_;

3 \_\_\_\_\_;

4 \_\_\_\_\_.

Which reason does she say contributed most to the failure of the alliance?

**22. Speaking: work in pairs. Imagine that you work for a small family-run business, which has just been bought by a big multinational. Discuss:**

- where the various potential corporate culture clashes might occur;
- how you think you personally would adapt to the new culture, and why;
- what could be done by both companies to ensure a smooth transition from one corporate culture to another.

**23. Learn the tips for building relationships.**

Building good relationships leads to successful business opportunities. Whether networking with people outside the company or striking up a positive working relationship with new colleagues, you will find the following phrases useful.

A. How can I help you? / Is there anything I can do?

B. How interesting. / I'd love to hear more

C. I don't think we've met / I'm ....

D. I'm ... I work for Digital France. We offer products and services in ....

E. When can we set up a meeting? Here is my card.

F. Do you like / enjoy ...? What do you think of ...?

- ✓ Look at the tips for building relationships successfully. Can you think of any more tips?
  1. Be articulate and positive about who you are and what you do.
  2. Ask the right questions to find out what you have in common with others.
  3. Be willing to share information and help others.
  4. Show an interest in what others are saying.
  5. Follow up interesting new contacts.
  
- ✓ Which of phrases a-f above would you use for the tips (1–5)?
  
- ✓ Work with a partner you don't know well. Introduce yourself and ask questions to find three points you have in common.

**24. Listen to two people networking (Track 3, Intelligent Business. Coursebook. Upper Intermediate) and answer the questions.**

- What lines of business are the speakers in?
- What do the companies have in common?
- How will they both benefit from the possible new business relationship?

**25. Work in pairs. Read the extracts of dialogues below and say why the people didn't manage to build a relationship. Change what speaker B said in each case and continue the dialogue.**

1. A: Hi, I'm Sandra Hogan. I work for *Marketing Now* magazine. We are looking for successful companies to feature in our May issue.

B: Unfortunately, we've been having a few financial problems recently, but here's my card.

2. A: I'm sorry to ask, but as you've finished, could you help me?

B: No, I want to go home early.

3. A: Hello, I'm Kevin Hart from Digital Solutions. I see from your badge that we are in the same line of business. Are you enjoying the conference?

B: Not really. I haven't made any useful contacts so far.

## **26. Culture at work: working relationships.**

In many cultures, business people will do business only with people they trust and have had time to get to know personally. In other cultures, while it is important to have a good working relationship, it is not essential to know people on a personal level. What is common in your culture? How might this difference cause misunderstanding in multicultural teams?

## **27. Dilemma and Decision.**

Dilemma: Breaking the ice.

*Brief.* When Unilever, one of the world's largest consumer products companies made a bid to buy Ben & Jerry's, the trendy ice cream maker, Ben and Jerry turned down the offer. The companies were too different, they said. Social responsibility and creative management were the hallmarks of their business philosophy. Unilever was a major multinational with a traditional corporate culture, whose main goal was to make a profit. This, they felt, could never mix with their concept of "linked prosperity", where the community also profits from business success. The then CEO of



Unilever, Niall FitzGerald, felt that if they could get together and talk, they would find common ground. They could then build on that personal relationship and finally make a corporate alliance, which would benefit everyone in spite of what appeared to be corporate culture differences.

**Task 1.** Work in groups. Read the profiles and make a list of the similarities between the people involved and their companies.

CEO profile

Jerry greenfield and Ben Cohen were born in Brooklyn, New York, in 1951. They met in junior high school and Jerry remembers that he and Ben were two of the wildest students in their school.

They founded their ice cream company in 1978 in a renovated gas station in Burlington, Vermont, with a \$12000 investment (& 4000 of which was borrowed).

Ben and Jerry have been recognized for fostering their company's commitment to social responsibility by the Council on Economic Priorities, as they donate 7.5 % of their pre-tax profits to non-profit organizations through the Ben & Jerry's Foundation.

Ben and Jerry are active members of the Social Venture Network and Businesses for Social Responsibility. They also serve on the board of Oxfam America.

CEO profile

Unilever was created in 1930. It is now one of the world's largest consumer products companies with sales in excess of \$50 billion, and operates in 88 countries around the globe.

Niall FitzGerald, the CEO until 2004, was born in 1945 in Ireland. He was a child of the '60s, "with hair down my back, drawn to the hippy culture of make love not war," he says. "I was taught that to change the world, you must get to the top and do it from within."

As head of Unilever South Africa, he insisted, against opposition, on unsegregated facilities. Not only aware of the debate on corporate social responsibility but sincerely engaged in it as well, he was behind Unilever's funding of hospitals in Vietnam and schools in Ghana and many other parts of the developing world.

**Task 2.** Using your list, think of five things Niall FitzGerald could say to Ben and Jerry in order to break the ice. How do you think Ben and Jerry would respond in each case?

**Task 3.** What concessions or compromises do you think Ben and Jerry would ask for? How do you think Niall FitzGerald would respond? Is it possible for two companies with seemingly different cultures to merge and work together, if the CEOs have a lot in common?

**Task 4.** Write a memo from Niall FitzGerald to the staff of Unilever informing them of the decision, and why it was taken.

*Decision.* Now you can find out what Ben and Jerry, and Niall FitzGerald said about the proposed merger.

The following are quotes and extracts from press releases about the alliances between the two companies.

“I got straight onto a plane with a rucksack full of all the good things we do on the environment and safety and in the community and I went to Vermont to see them. I said: “Your choice is you can do your little thing in Vermont or you can be part of us and we can do it everywhere”.

*Niall Fitzgerald*

“Neither of us could have anticipated twenty years ago that a major multinational would some day sign on, enthusiastically, to pursue and expand the social mission that continues to be an essential part of Ben & Jerry's and a driving force behind our many successes. But today, Unilever has done just that. We hope

that, as part of Unilever, Ben & Jerry's will continue to expand its role in society."

*Ben and Jerry*

Not only will Unilever continue to donate 7.5 per cent of Ben & Jerry's operating profits to charity, but it will use Ben Cohen and Jerry Greenfield to help design its social policy.

Under the terms of the agreement, Ben & Jerry's will operate with an independent board of directors, which will focus on providing leadership for the social mission and brand integrity of Ben & Jerry's.

**28. Complete the sentences with *on, over, in, up, out* or *down*.**

1. The company has seen an improvement \_\_\_\_\_ market share.
2. BusTec and SweFact have decided to co-operate \_\_\_\_\_ a major project.
3. It was a mistake to invest \_\_\_\_\_ Silco shares.
4. The CEO announced that the company would be taken \_\_\_\_\_ by Kids2grow.
5. I think we should concentrate \_\_\_\_\_ our core competences.
6. It's important that we don't give \_\_\_\_\_ control of the business.
7. The type of kitchen equipment Resolve produces is going \_\_\_\_\_ of fashion.
8. Can we really afford to turn \_\_\_\_\_ their offer?
9. Without new investment, the company is likely to go \_\_\_\_\_ of business.
10. The economy is slowing \_\_\_\_\_ – we can't afford to take risks right now.

**29. Complete the table below.**

VERB	NOUN
------	------

1	integrate	
2		bid
3	partner	
4		acquisition
5	consolidate	
6		achievement
7	merge	
8		success

**30. Read the article about drug firm takeovers. Then choose the best sentence below to fill each of the gaps.**

- a) there are few synergies between the two sorts of drug manufacture.
- b) companies need to be big enough to dominate distribution channels to wholesalers.
- c) generic drug sales totaled \$30 billion last year in the eight biggest markets.
- d) but not everyone is happy.
- e) the acquisition will make Sandoz the world's largest generic drugmaker.

### COMBINATION THERAPY

Novartis buys two generic drugmakers.

Novartis, a Swiss drug giant, has announced its purchase of Hexal, a German generics firm, and a sister company in America, Eon Labs, for a combined cost of \$8.3 billion.

Novartis already has a generic drug division, called Sandoz, which struggled last year to sell \$3 billion-worth of drugs, roughly one-third more than Hexal and Eon Labs combined. (1) \_\_\_\_\_ It will also give it a stronghold in Germany, the world's second-largest generics market. (2) \_\_\_\_\_ They are likely to grow by a healthy 10 % a year until 2009, says IMS Health, a data and consultancy

firm, as public and private buyers in Europe and America look for ways to cut their drugs bill.

Only a few years ago big drug firms, which had bought generics companies in the hope of making easy money, were busy trying to off-load them. (3) \_\_\_\_\_ Generic drug-making is “a gloves-off business compared to the gentlemanly boxing match which is Big Pharma,” says Neal Hansen of Datamonitor, a research firm. In generics, success depends on being cheap enough to keep manufacturing and other costs down. (4) \_\_\_\_\_ They also have to be fast enough to move in and out of markets as opportunity ebbs and flows. Staying ahead of the competition is a further challenge. Novartis may make Sandoz big and broad enough to do that, at least for now. (5) \_\_\_\_\_ Health activists, concerned about rising drug prices and restricted access to medicines, are already grumbling about the incursion of the big drug firms into the plucky underdog business of generics.

**31. Before you listen to a business radio program about Unilever, make notes on what you know about the company’s area of business, its competitors and the problems it faces.**

Now listen and complete the notes below (Track 2, Intelligent Business. Workbook. Upper Intermediate).

UNILEVER

Unilever is an Anglo-Dutch (1) \_\_\_\_\_. It is a large (2) \_\_\_\_\_ retailer. Patrick Cescan is to become the company’s (3) \_\_\_\_\_. Antony Burgmans will become the non-executive (4) \_\_\_\_\_. There are two possible (5) \_\_\_\_\_ targets – Colgate-Palmolive and Reckitt Benckiser.

Unilever’s debts are (6) \_\_\_\_\_ b.  
Last year sales fell by (7) \_\_\_\_\_ %.  
It has lowered its (8) \_\_\_\_\_ targets.

The company has some problems, for instance, not enough (9)  
\_\_\_\_\_.

**32. Check that you understand the following words and phrases about mergers and acquisitions. Then listen again (Exercise 31). Tick those used in the listening: *multinational, resources, stock market, rival, deal, partnership, competitiveness, profits, takeover targets, debts, integration, budget, market share, strategic, shareholder.***

**33. Look at these sentences. Some of them are correct. Identify the correct sentences and find and correct the mistakes.**

1. We are never borrowing money at such high rates of interest.
2. He arrived late for the meeting because he had forgotten the time.
3. My colleague seems optimistic about the proposed takeover, although the company's shares have fallen.
4. The organization certainly didn't expected as many culture clashes.
5. By the end of tomorrow we'll definitely signed a deal.
6. The CEO's taking a back seat at the moment.
7. When have you heard from our rivals? Yesterday?
8. It was several weeks since I met our partners.

**34. Read the conversation extracts and complete the gaps with phrases for building relationships.**

1. A: I don't think \_\_\_\_\_. I'm Sylvia Jacobs. We've spoken on the phone a few times.

B: Oh yes, of course. Hello!

2. A: \_\_\_\_\_ card.

B: Thank you. I'll definitely be in touch.

3. A: So, who do you work for?

B: Paul and Moger. We \_\_\_\_\_.

4. A: Flatly's is about to expand operations into China.

B: How interesting! I'd love \_\_\_\_\_.

5. A: \_\_\_\_\_ meeting? Would Tuesday at 10 suit you?

B: That'd be just fine.

6. A: \_\_\_\_\_ the main speaker?

B: I found him really inspiring, actually.

7. A: \_\_\_\_\_ you?

B: I'd like some information about your Scandinavian furniture, please.

**35. Read the email about a possible meeting. Write an email in reply:**

- thanking Lesley for her email;
- expressing interest in meeting;
- saying what you would like to discuss;
- giving a possible time and date to meet.

From:lesley.james@elson.com

To: [siobhan.philips@brgs.com](mailto:siobhan.philips@brgs.com)

Subject: Future plans

Dear Siobhan

It was nice to meet you at the Frankton Business Forum last week, and to hear about the expansion of your business.

Would you be interested in meeting up to discuss possible partnership working for the future?

Bets regards

Lesley James

Suggested answer:

Dear Lesley

Thank you for your email of 25<sup>th</sup> June. I would very much like to meet you. Perhaps we could look at how we might share resources in our Eastern European centers.

Would next Tuesday (July 4<sup>th</sup>) at 10 am suit you?

Best regards

Siobhan Philips

**36. Read the text ‘Conglomerates’ paying attention to the words in bold**

1909 – Lonrho began operating in Africa.

1961 – Tiny Rowland started to transform the company into a worldwide **conglomerate**.

1995 – Lonrho’s African non-mining businesses had expanded, with the **parent company** controlling approximately 90 **subsidiaries** that had **diversified into** a wide range of business activities.

1995 – Lonrho decided to **restructure** these African non-mining businesses into five **core activities**: motors, agribusiness, distribution, hotels and property, and construction.

1998 – These businesses were **demerged** in a process of **divestment** and a new company was created.

2000 – Lonrho began to **refocus** and to follow a strategy of **divesting its non-core assets** in order to pay off its debt.

2005 – Most of Lonrho’s assets had been sold and the **disposal** program completed.

2006 – Lonrho starts to rebuild an African conglomerate.

**37. Use correct forms of expressions from Exercise 36 to complete what a journalist says about conglomerates**

If a large company that has previously (1) ..... a wide range of activities then finds that some of these are becoming less profitable, it may decide to sell those (2) ..... that do not fit in with its overall



strategy. The board of the (3) ..... may talk about (4) ..... these activities and (5) ..... so that they can get out of particular businesses. In this case, the group makes (6) ..... of its (7) ..... and uses the money from these (8) ..... to invest in and concentrate on its (9) ..... activities.

**38. Complete each sentence with the right word from the list:**  
*bribes, bonuses, compensation, con artist, corrupt, disclosure, industrial espionage, integrity, law-abiding, secrecy, slush fund, whistle-blowers*

1. The police are investigating our CEO for allegedly receiving .....
2. The director never did anything that could compromise the ..... of the company
3. Managers were trying to silence potential ..... by promoting or relocating them
4. Their summer collection has items so similar to our own new designs that we think this might be a case of .....
5. They operated a multimillion dollar ..... intended to corrupt government officials
6. Corruption so often makes the headlines that you could forget the majority of people are in fact decent, ..... citizens

## **PART III. COIN OF THE REALM**

### **1. Lead in: quiz.**

Answer these questions individually. Then compare your answers with a partner.

1. How much cash do you have with you at the moment? Do you:
  - a) know exactly?
  - b) know approximately?
  - c) not know at all?
2. Do you normally check:
  - a) your change?
  - b) your bank statements and credit card bills?
  - c) restaurant bills?
  - d) your receipts when shopping?
  - e) prices in several shops before you buy something?
3. Do you:
  - a) give money to beggars?
  - b) give money to charities?
  - c) give away used items, such as clothing?
4. If you go for a meal with someone you don't know well, do you:
  - a) offer to pay the whole bill?
  - b) suggest dividing the bill into equal parts?
  - c) offer to pay the whole bill but expect them to pay next time?
  - d) try to avoid paying anything?
5. What do you think about people who do not pay the correct amount of tax? Is this:
  - a) a serious crime?
  - b) morally wrong but not a crime?
  - c) excellent business practice?
6. If you lend a colleague a small amount of money and they forget to pay it back, do you:
  - a) say nothing?
  - b) remind them that they owe you money?

c) arrange to go for a drink with them and say you've forgotten your wallet or purse?

## **2. Useful language: Dealing with figures, saying numbers.**

### *Years:*

- 1984 – nineteen eighty-four;
- 2006 – two thousand and six.

### *Currencies:*

- £3.15 – three pounds fifteen;
- \$7.80 – seven dollars eighty;
- €250 – two hundred and fifty euros;
- ¥125 – one hundred and twenty-five yen.

### *Decimals:*

- 16.5 – sixteen point five;
- 17.38 % – seventeen point three eight percent;
- 0.185 – (nought/zero) point one eight five.

### *Bigger numbers:*

- 3560 – three thousand five hundred | and sixty (BrE)//sixty (AmE);
- 598347 – five hundred | and ninety-eight thousand, three hundred and forty-seven (BrE)// ninety-eight thousand, three hundred forty-seven (AmE);
- 1300402 – one million three hundred thousand, four hundred | and two (BrE)// two (AmE);
- 1m – one/ a million (1000000);
- 3bn – three billion (3000000000);
- \$7.5bn – seven point five billion dollars;
- €478m – four hundred | and seventy-eight million euros (BrE)// seventy-eight million euros (AmE).

**3. Vocabulary: Financial terms. Match the definitions (1–6) with the financial terms (A–F).**

1	money owed by one person or organization to another person or organization	A	gross margin
2	a period of time when business activity decreases because the economy is doing badly	B	recession
3	difference between the selling price of a product and the cost of producing it	C	shares
4	a place where company shares are bought and sold	D	debt
5	money which people or organizations put into a business to make a profit	E	stock market
6	equal parts into which the capital or ownership of a company is divided	F	investment

**4. Match the sentence halves.**

1	Earnings per share are	A	a part of the profits of a company paid to the owners of shares
2	A forecast is	B	a company's profits divided by the number of its shares
3	Bankruptcy is	C	a description of what is likely to happen in the future
4	A dividend is	D	money which businesses receive from selling goods or services
5	Pre-tax profits are	E	when a person or organization is unable to pay their debts
6	Revenues are	F	the money a business makes before payment to the government

**5. Complete the report with the terms from Exercises 3 and 4.**

In our home markets it has been another excellent year. (1) \_\_\_\_\_ are up by £23 million, and the (2) \_\_\_\_\_ for the next quarter is equally good. Profits from abroad are down because of a (3) \_\_\_\_\_ in Japan. However, our performance overall has been good, and the (4) \_\_\_\_\_ have increased to 26.4p and the (5) \_\_\_\_\_ will be increased to 4.3p per share, which will please our shareholders.

We plan to issue new (6) \_\_\_\_\_ in order to finance expansion in Asia. We also plan to increase our (7) \_\_\_\_\_ in plant and equipment before entering the Chinese market. We are particularly pleased with our performance in France and Germany where (8) \_\_\_\_\_ have increased. As a result of using a new distributor, our costs fell giving us a (9) \_\_\_\_\_ of 40 % on our main product line. We will use any extra cash to reduce the level of our (10) \_\_\_\_\_. Our performance in Italy should improve significantly following the (11) \_\_\_\_\_ of our biggest competitor. However, we should not become too satisfied with our share price as economic conditions remain uncertain and the (12) \_\_\_\_\_ will continue to reflect this. Share prices will not rise in the short term.

**6. Hugh Campbell is the founder of GP Capital, a London-based finance firm which raises money for entrepreneurs. Listen to the first part of the interview (Listening 5.2, Market Leader. Intermediate) and complete the chart.**

TYPE OF BUSINESS	TYPE OF INVESTOR
Business set up by new entrepreneurs	..... .....
Business borrowing up to ...	..... .....
Business borrowing more than ...	..... .....

**7. Listen to the second part of the interview (Listening 5.3, Market Leader. Intermediate) and answer these questions.**

- According to Hugh, which three areas do venture capitalists look at when selecting companies to invest in?
- What type of market is good to invest in and why?
- What helps some businesses to win against other companies?
- What three questions would Hugh ask the management team?

**8. Listen to the third part of the interview (Listening 5.4, Market Leader. Intermediate). What kind of company does Hugh describe? Why did he like this type of company?**

**9. Listen to the final part of the interview (Listening 5.5, Market Leader. Intermediate). Which of these statements are true? Correct the false ones.**

- Hugh was offered the chance to buy fifty percent of an Internet business.
- He didn't invest because he thought the management team was weak.
- The business did very well for a couple of years.
- It was sold for twenty times its original value.

**10. Before you read the articles decide which of these statements are true.**

- Both Wal-Mart and Target Stores are based in the UK.
- Wal-Mart is the world's largest retailer.
- Target is not a competitor of Wal-Mart.

**11. Work in pairs. Student A read Article 1 and Student B read Article 2. Complete the parts of the chart below the articles which relate to your article.**

Article 1: Wal-Mart

Wal-Mart yesterday really surprised investors when it sounded a strong note of optimism. This optimism is a marked turnaround from three months ago when Wal-Mart warned about the strength of the recovery in US consumer spending.

Lee Scott, the CEO, said: "I am more optimistic about the year we have just started than I have been in several years. I am not only optimistic about the economy and the continuing strength of the housing market but also encouraged about Wal-Mart's position."

Mr. Scott was also encouraged by consumer spending, which he said was driven by higher tax refunds and "eventually improvements in the jobs picture".

The world's largest retailer by revenues said fourth-quarter profits rose 11 % to \$2.7bn or 56 cents a share over a year ago. Revenues for the quarter increased 12.2 % to \$74.5bn.

For the full year, Wal-Mart's profits jumped 13.3 percent to \$8.9bn or \$2.03 a share, up from \$7.8bn. Revenues increased 11.6 percent from \$229.6bn to \$256.3bn. International sales were strong, contributing about \$7bn to the near \$27bn in overall sales. Mr. Scott said Wal-Mart had a good year but the international division had an excellent year.

He stressed that, while gross margin was better than originally forecast, the improvement was thanks to the mix of merchandise, not higher prices. "We are not raising prices and have no intention of doing so," Mr. Scott said.

## Article 2: Target Stores

Target yesterday beat Wall Street expectations when it delivered a 21.1 % rise in quarterly earnings.

Gains in Target's credit card business, as well as both its Target Stores division and Marshall Field's stores, offset a small drop in pre-tax profit at the Mervyn's department store chain.

Target has cultivated a more upmarket and style-conscious image than other discount retailers. It is the third-largest general retailer in the US by revenues.

Target yesterday said it saw continued price pressure from rival Wal-Mart. For the fourth quarter, Target's profit rose to \$832m, or 91 cents a share, compared with \$688m, or 75 cents a share, a year ago. Analysts had expected Target to earn 87 cents a share, according to Reuters Research.

Revenues for the quarter rose 10.7 % to \$15.57bn from \$14.06bn, while same-store sales – from stores open at least a year – rose 4.9 %.

Target said pre-tax profit soared 18.5 % at Target Stores. At the department stores, which have been ailing, pre-tax profit jumped 15.6 % at Marshall Field's but fell 0.3 % at Mervyn's.

Credit card operations added \$168m to pre-tax profit in the recent quarter, up 11.7 % from a year ago.

For the full year, Target's profits were \$1.84bn, or \$2.01 a share, up 11.4 % from \$1.65bn, or \$1.81 a share, the year before. Revenues rose 9.7 % to \$48.16bn from \$43.91bn, driven by new stores, a 2.9 % rise in same-store sales and growth in credit revenues.



	Wal-Mart 4 <sup>th</sup> quarter	Target 4 <sup>th</sup> quarter	Wal-Mart Full year	Target Full year
Total profits				
% increase in profits/earnings				
Earnings per share				
Sales revenues				

**12. Read both texts and answer the questions. Which company:**

- feels confident about the future?
- has developed a more fashionable image?
- had particularly good results overseas in the last 12 months?
- is not planning to increase prices?
- did better than the American stock market forecast?
- feels its success is due to the variety of its goods?

**13. Match the words to make word partnerships from the text.**

1	consumer	a	division
2	tax	b	pressure
3	international	c	refunds
4	quarterly	d	spending
5	price	e	earnings

**14. Read the articles again and check your answers. Now match the word partnerships in Exercise 13 to their definitions.**

- the money people spend on goods and services;
- money given back at the end of the financial year;

- company profits for a three-month period;
- part of a company which deals with or is located overseas;
- decreasing or freezing the price of goods or services in order to gain an advantage over competitors.

**15. Read the magazine extracts about the pay of top executives. Underline the words and phrases related to their remuneration.**

The spotlight rarely falls on the basic salaries of top executives because these do not tend to rise at such a dramatic rate. In 2002, the median base salary of the CEOs of the S&P 500 companies was \$925000. The median total compensation for that year, on the other hand, was \$3.65m.

Charles Conaway, the chief executive of Kmart, a US discount retailer, left the company in March 2002 after just 21 months in the job and two months after the company had filed for Chapter – 11 bankruptcy. A company loan of \$5m, granted as part of Mr. Conaway’s pay package, was “forgiven” upon his departure.

The bosses of American Airlines were revealed to have placed \$41m in a pension fund for themselves that was fully protected should the company go into Chapter 11 – bankruptcy. This self-appointed perk remained hidden until after negotiations with the airline’s unions aimed at securing wage concessions of up to \$2 billion had ended a few months later.

Trevor Fetter, Mr. Barbakow’s successor at Tenet Healthcare, was granted two shares in the company for every one that he purchased, up to a limit of 200000. Many such awards of shares are in the form of “restricted stock”, which the executive is not allowed to sell for a specific period.

**16. What does each number refer to? Find the following numbers in the extracts from Exercise 15.**

- \$925000;
- \$3.65m;
- 200000;
- \$41m;
- 21 months;
- \$5m.

**17. Vocabulary: match the words (1–7) with the definitions (A–G).**

1	golden hello	A	right to buy/sell specific shares
2	bonus	B	large sum paid to a new employee
3	pension	C	highly paid executive
4	stock option	D	money given when a contract is officially ended
5	fat cat	E	extra money paid, usually as a reward
6	remuneration	F	payment made to retired people
7	severance pay	G	pay in the form of salary and extra benefits

**18. Complete the article (1–10) with the correct options (A–D).**

### FAT CAT FEEDING

Executive pay

So-called “golden parachutes”, i.e. large pay-offs even when top executives (1) \_\_\_\_\_, have become a main focus this year in the debate over executive pay. The Corporate Library, an organization set up to protect the rights of shareholders in America, believes that the average departing CEO in that country receives a severance (2) \_\_\_\_\_ worth \$16.5m.

In May this year, shareholders at the annual general meeting of GlaxoSmithKline (GSK) protested against the amount promised to

its boss, Jean-Pierre Garnier, if he were forced to leave the company prematurely. Since one of the more likely reasons for such a departure would be poor (3) \_\_\_\_\_, the \$35.7m farewell gift was seen to be excessive.

Under new rules allowing shareholders to (4) \_\_\_\_\_ each year on British firms' plans related to executive (5) \_\_\_\_\_ GSK's owners gave it the thumbs down, which sent a shock through (6) \_\_\_\_\_ Britain. Yet it did not actually change Mr. Garnier's package. The decision is only advisory.

Sir Christopher Hogg, the chairman of GSK, points out that the company was already undertaking a review of its (7) \_\_\_\_\_ policy. That review is still going on and Sir Christopher says whatever the result, "we will be seeking shareholders' (8) \_\_\_\_\_ at the AGM in 2004." He has written to the Association of British Insurers to say that "the board has registered shareholders' particular sensitivity to payments on termination."

British union leaders want shareholders' votes on executive pay to be made binding. And they want shareholders to register more concern about this (9) \_\_\_\_\_. Despite all the (10) \_\_\_\_\_ made over Mr. Garnier, GSK remains the only company in Britain this year whose financial report failed to meet with its shareholders' approval.

1	A	lose	B	fail	C	trip	D	miss
2	A	account	B	package	C	option	D	dividend
3	A	acting	B	operation	C	performance	D	behavior
4	A	vote	B	choose	C	elect	D	propose
5	A	income	B	turnover	C	proceeds	D	compensation
6	A	financial	B	executive	C	corporate	D	official
7	A	remuneration	B	reward	C	refund	D	repayment
8	A	admiration	B	endorsement	C	sponsorship	D	justification
9	A	theme	B	factor	C	argument	D	issue
10	A	protest	B	quarrel	C	doubt	D	fuss

**19. How would you decide what remuneration to offer a new CEO? Listen to part of a business school seminar about CEO's pay (Listening T6, Intelligent Business. Workbook. Intermediate) and complete the sentences.**

- Decisions about the salary level of a new CEO are often made by ... .
- The new CEO's salary is decided in the following way: ... .
- The risk of this kind of approach is that ... .
- A recent report revealed that ... .
- The remuneration packages of CEOs might become more acceptable if ... .

**20. Check that you understand the following words about executive selection. Then listen again (Listening T6, Intelligent Business. Workbook. Intermediate). Which three words or phrases are not in the tape script?**

trend	industry	average	pay package
remuneration	salary	consultant	peer
procedure	turnover	tenure	vacancy
choice	appointment	golden parachute	contract
scandal	position	benchmarking	compensation
employee	shareholder	committee	share option
golden hello	selection	comparison	

**21. Discussion: foreign exchange.**

- How many different currencies can you name?
- Do you know the history of your currency over the past 50 years?

- How is the value (the exchange rate) of your currency determined?
- Has the exchange rate, compared to the US dollar or the euro, remained constant over the last few years?

## **PART IV. GLOBAL TRADE**

### **1. Lead in:**

- Think of some of the things you own (for example, shoes, TV, car). Which are imported? Where were they made?
- Name some global companies. What kind of business are they?
- What is globalization?
- Discuss these statements. Do you agree or disagree?
  1. Globalization damages local goods, services and cultures.
  2. Globalization increases competition among companies.
  3. Globalization raises people's living standards.
  4. Globalization improves international communication and understanding.

### **2. Listen to the first part of a radio interview with Ian McPherson, an expert on international trade. Complete the definition of a free trade he gives.**

It's a situation in which goods come into and out of a country without any controls or \_\_\_\_\_. Countries which truly believe in free trade try to \_\_\_\_\_ their trade, that's so to say, they take away \_\_\_\_\_ to trade. They have open \_\_\_\_\_ and few controls of goods at \_\_\_\_\_.

### **3. Listen to the second part of the radio interview. Note down five things, which stop people trading freely. Explain briefly the meaning of each one.**

**For example:** 1. Tariffs. These are taxes on imported goods.

**4. Listen to the third part of the radio interview and do the exercises.**

1. When there is a policy of a deregulation:
  - a) companies compete freely;
  - b) there are a lot of government controls;
  - c) companies must follow regulations.
2. According to Ian McPherson, what is the greatest benefit of a free trade? Choose the best answer.
  - a) more choice of products;
  - b) better-made products;
  - c) higher salaries;
  - d) a wider choice of jobs.
3. Complete this sentence.

Some countries do not practice free trade because they wish to:

  - fight against \_\_\_\_\_ competition, for example, dumping;
  - protect their \_\_\_\_\_ industries, because they are important to the economy;
  - be less \_\_\_\_\_ on foreign imports, because their economies need developing.
4. What trend in international trade does Ian McPherson mention? Why does he think the trend is a good one?

**5. Discuss these questions.**

1. To what extent do you have free trade in your country?
2. Should certain industries in your country be protected? If so, which ones?
3. Is free trade always a good thing, in your opinion?



**6. Use the words and phrases in the box to complete the table. Use a good dictionary to help you.**

barriers	open borders	free port	developing industries
industries	dumping	tariffs	strategic industries
restrictions	quotas	laissez-faire	liberalize
customs	deregulation	subsidize	regulations

<b>Open markets</b> (trade without restrictions on the movement of goods)	<b>Protected markets</b> (trade with restrictions on the movement of goods, for example import taxes)
Open borders	Barriers

**7. Match these sentence halves.**

1. We're trying to break into.
  2. You should carry out.
  3. If you would like to place.
  4. If you can't meet.
  5. They've quoted.
  6. Let us know if you want us to arrange.
  7. It's essential to comply with.
- a) all regulations if you want the delivery to go through without problems;
  - b) the delivery date, let us know as soon as possible;
  - c) insurance cover for the shipment;
  - d) a market survey before you make a major investment;
  - e) the Japanese market;
  - f) an order, press one now;
  - g) us a very good price for the consignment.

**8. Find verb + noun partnerships in the sentences above. For example, *to break into a market*. Which of them is normally done by?**

a) the supplier; b) the buyer; c) both the supplier and the buyer;

**9. Before you read the article, answer these questions.**

1. Which countries traditionally export: a) bananas; b) coffee; c) sugar.
2. What typical problems do these exporters face when selling abroad?

**10. Read the article and answer these questions.**

1. What does the article say about:
  - a) Denise Sutherland?
  - b) Juan Valverde Sanchez?
  - c) Nicaraguan farmers?
  - d) Sainsbury's, Starbucks and Carrefour?
  - e) The World Trade Organization (WTO)?
2. What do these numbers from the article refer to?
  - a) \$500m; b) 400; c) 500000; d) 36; e) 25.
3. Why are Denise und Juan are having problems selling their products?
4. How did fair trade begin?

**11. Chose the word a), b) or c) that is the odd one out in each group and matches the definition.**

- 1) state of continuing to live or exist
  - a) ruin; b) bankruptcy; c) survival.
- 2) slowly bringing to an end
  - a) phase out; b) lead; c) dominate.

- 3) to make sure people know about a product  
a) prohibit; b) ban; c) promote.
- 4) an official limit on the quantity of goods  
a) tariff; b) quota; c) subsidy.
- 5) people or companies that make or grow goods, food, materials  
a) consumers; b) clients; c) producers.
- 6) all the people who buy a particular product or use a particular service  
a) product; b) niche; c) commodity.
- 7) very successful  
a) falling; b) declining; c) booming.
- 8) the situation of being poor  
a) prosperity; b) poverty; c) wealth.

### UK DEVELOPS TASTE FOR FAIR TRADE

The UK has a taste for quilt-free food – sales are growing by 100 % a year.

Along with tens of thousands of other banana growers in the Windward Islands. Denise Sutherland faces ruin. The World Trade Organization (WTO) has forced the European Union to phase out its old quota system that guaranteed West Indian growers market access, and there's no way she can match the prices of the giant US corporations that dominate the market for the world's favorite fruit.

In Costa Rica, Juan Valverde Sanchez, a sugar cane grower who sells to a local farmers' association, is unsure if he and his colleagues will survive another year. Most of the world's sugar producers cannot break into the European or US markets because of high tariffs and the heavy subsidies that western farmers enjoy. But there is now hope for Denise and Juan - they are selling some or all of their produce to the growing "fair trade" market that protects them from depressed world commodity markets and the price wars between giant multinationals.

For its supporters, fair trade is an example of how world trade can and should be run to tackle poverty. Producers are all small scale and must be part of a cooperative or democratically run association of workers who observe high social and environmental standards.

Their groups deal directly with first-world companies that pay well over the world market price. They also get an added premium, which goes directly to the group of farmers to be shared out in any way they choose.

The price difference can be as much as 100 % and can save a farmer from bankruptcy or mean a family has the money to send their children to school.

At the other end of the chain, the first-world consumer pays about a penny extra for a cup of coffee or teaspoon of sugar, or a few pence more for a banana.

Fair-trade food is booming. What started as a way for Dutch consumers to support Nicaraguan farmers in the 60s has grown into a \$500m a year global niche market with more than 400 northern companies now importing fruit, coffee, tea, bananas, nuts, orange juice and other foods.

Around 500000 small- scale farmers and their families are thought to be benefiting in 36 of the world's poorest countries, and the latest figures suggest) it is worth \$40m extra to producers. Meanwhile, demand for other "fairly traded" but unlabeled non--food goods, such as handicrafts and textiles, is also growing.

Fair trade food sales are growing by more than 25 % a year internationally and almost 100 % a year in Britain, now the largest market after Switzerland. This market is one of the most remarkable consumer success stories of the past decade, promoted quietly in Britain, and now attracting multinationals such as Sainsbury's, Starbucks and Carrefour.

It is ironic, though, that fair trade, which was designed to reduce the injustices of the world trading system, could itself

become a victim of the WTO. Technically, it could be banned because WTO rules prohibit "differentiation" between products on the basis of their means of production.

In the meantime, fair trade shows that charity is not needed to lift people out of poverty and that social and environmental standards can be put into trade.

From *The Guardian*

## **12. Discuss these questions.**

1. Do you buy fair trade goods? Why? Why not?
2. What local producers in your country could benefit from the growth of fair trade?
3. "We should not support fair trade because it subsidises small inefficient producers." Do you agree with this statement?

## **13. Over to you.**

### **International Trade**

#### **Choose the best word to fit the gap.**

1. Most of our \_\_\_\_\_ have been working with us for a number of years.  
a) supplies;    b) suppliers;    c) supporters;    d) supplements.
2. Unfortunately the recent takeover will result in a number of \_\_\_\_\_ at the plant.  
a) rationalisations;    b) dealings;    c) redundancies;    d) exchanges.
3. You will see from the catalogue that our prices are very \_\_\_\_\_.  
a) competitive;    b) competent;    c) completed;    d) compatible.
4. The price of the \_\_\_\_\_ catalogue is against your first order.  
a) removable;    b) replaceable;    c) rechargeable;    d) refundable.
5. All items in this \_\_\_\_\_ range will be from 27 April.  
a) suitable;    b) portable;    c) available;    d) accessible.

6. The assignment arrives at the warehouse on Monday and will be immediately \_\_\_\_\_.
- a) unloaded;    b) emptied;    c) undone;    d) unsent.
7. Unfortunately it is \_\_\_\_\_ to keep the complete range in stock.
- a) insufficient;    b) uneconomic;    c) uncertain;    d) invalid.
8. After rationalization the company was \_\_\_\_\_ and its order book was full.
- a) in good time;    b) in good shape;  
c) in good spirits;    d) in good health.
9. Artemis gives us a good price on this because they are our \_\_\_\_\_ suppliers.
- a) single;    b) one;    c) individual;    d) sole .
10. I would be grateful if you could let me have a detailed \_\_\_\_\_, including prices and delivery terms.
- a) quotation;    b) term;    c) offer;    d) order.
11. For many companies, trade show marketing can be a \_\_\_\_\_.
- a) bad dream;    b) bad scene;    c) nightmare;    d) bad event.
12. One of the things you have to consider are the \_\_\_\_\_ for your space.
- a) rent fees;    b) payment fees;    c) rental fees;    d) tax fees.
13. The trade show is tomorrow and the print shop hasn't finished printing our \_\_\_\_\_ yet!
- a) sales things;    b) sales materials;  
c) selling materials;    d) sales pages.
14. Our \_\_\_\_\_ production costs are low, since we're setting it up ourselves.
- a) booth;    b) box;    c) boot;    d) office.
15. I \_\_\_\_\_ five trade shows last year.
- a) attended;    b) went;    c) came;    d) atoned.
16. Stacks of business cards = \_\_\_\_\_ business cards.
- a) a couple of;    b) no;    c) lots of;    d) various.

17. A trade show isn't worth your time and effort if it doesn't produce good \_\_\_\_\_.

a) leads;            b) loads;            c) experiences;            d) values.

18. One of the main reasons we're attending the trade show is to connect with \_\_\_\_\_.

a) potential partners;            b) potential partnerships;  
c) potent partners;            d) visitors.

19. Trade shows produce about 20 \_\_\_\_\_ of our annual leads.

a) numbers;            b) average;            c) percent;            d) percent.

20. Setting up a professional looking booth and presentation will help up to raise our \_\_\_\_\_.

a) opinion;            b) look;            c) profile;            d) view.

**14. Study the Useful Language Box bellow. Then role play these negotiations. Try to get a good outcome in each situation.**

**Student A is a supplier.**

**Student B is a buyer.**

**Supplier:** You want to increase the list price of sports bag model PX7 by 10 %. You also want to change your delivery times.

**Buyer:** You can only afford a 2 % increase. You offer to buy a larger quantity of sports bags at a lower increase. You want the delivery times to stay the same. You also want to change the length of your contract with a supplier.

**Student B is a company employee.**

**Student A is the employee's boss.**

**Employee:** You think you should have a 10 % salary increase.

**Boss:** You think the company can only afford a 2 % increase.

**Useful Language**

**Starting positions**

We'd like to reach a deal with you today.

Right, let's try to get 10 % off their list prices.

**Exploring positions**

Can you tell me a little about ....?

What do you have in mind?

Making offers and concessions

If you order now, we'll give you a discount.

We'd be prepared to offer you a better price, if you increased your offer.

If necessary ....

### **Checking understanding**

What do you mean?

Have I got this right?

If I understand you correctly .....

You mean, if we ordered...would ....?

Are you saying .....

### **Refusing an offer**

I am not sure about that.

That's more than we usually offer...

That would be difficult for us.

### **Accepting an offer**

Sounds a good idea to me. As long as we...

Good, we agree on price, quantity, discounts...

### **Playing for time**

I'd like to think about it.

I'll have to consult my colleagues about that.

### **Closing the deal**

I think we've covered everything.

Great! We've got a deal.

### **Following up the deal**

Let me know if there are any problems.

If there are any other points, I'll e-mail you.



## **PART V. FINANCIAL SECTOR OVERVIEW**

### **1. Lead in:**

- Why are financial institutions supervised and regulated? If they were not regulated, what could they do that would not be in their customers' best interests?
- Have you ever had any problems as a customer with the products or services of a financial institution?

### **2. Reading: conflicts of interest.**

Conflicts of interest are situations in which what is good for one department of a financial institution and its customers. Such conflicts are almost inevitable in financial institutions.

### **3. Read the four paragraphs below. In each case:**

1. What is the potential problem arising from this situation?
2. What is done (or what could or should be done) to prevent the problem arising?
  - a) Banks that underwrite security issues (shares, bonds, etc.) for companies are obliged to buy the securities if they are unable to sell them to other financial institutions or to the public.
  - b) Analysts in the research department of large banks study the financial situation of companies, and write reports about them for potential investors. In doing so, the analysts learn a great deal about companies, and so are often in a position to give them advice about raising capital, etc. However, they are usually competing with other banks to get business from these companies.
  - c) Auditors know a lot about accounting methods and acquire a lot of information about the companies whose accounts they audit. This puts them in a very good position to obtain extra – and generally very lucrative – consulting work with these companies.

d) People working in banks' corporate finance and mergers and acquisitions departments often have information about takeover bids and other deals that are being planned but have not yet announced.

#### **4. Vocabulary 1.**

**You are going to listen to Steve Harrison, who works in the compliance department of a large bank in London, talking about bank regulation. Before you listen, check your understanding of the words and phrases in the box by matching them with their definitions (1–6).**

compliance

mandate

supervision

counterparties

statutory

wholesale

1. According to a law or regulation.
2. Authorization given to an organization to carry out specific responsibilities.
3. Following rules and regulations.
4. Working with companies and institutions, and not personal or retail customers.
5. Other institutions in an agreement, contract or transaction.
6. Watching over people or an organization to make sure they are behaving correctly.

#### **5. Listening 1: the Financial Services Authority.**

**5.1. Steve Harrison is in regular contact with the relationship management team at the FSA that is responsible for supervising his bank. Listen to an interview with him. With of the following points does he mention? (Track 23.1, English for the Financial Sector)**

1. The formation of FSA.

2. How banks are changing.
3. The companies that are part of the FSA.
4. The objectives of the FSA.
5. Regulating consumers.

**5.2. Now listen again and answer the questions below:**

1. Why was the FSA created?
2. Which of the FSA's statutory objectives does Harrison mention?
3. What does the FSA want to understand when working with institutions?
4. What are a bank's 'wholesale counterparties'?

**6. Listening 2: conflicts of interest.**

**A. Listen to Steve Harrison talking about conflicts of interest. According to what he says, are the following statements true or false? (Track 23.2, English for the Financial Sector)**

1. Conflicts of interest in financial institutions can be avoided.
2. The problem usually involves access to information.
3. Financial institutions bought shares falsely recommended by research analysts.
4. Analysts recommended investing in firms in the hope that these firms would give them investment banking work.
5. The number of recommendations to sell shares is probably too high.
6. It is legitimate for an auditing firm to do extra consultancy work.
7. Many auditing firms have been forced by law to split off their consultancy business from the auditing firm.
8. Many companies now use different auditing firms for auditing and consultancy work.

**B. What are the two different examples Steve Harrison gives of conflicts of interest? Did you mention these in the earlier Reading activity?**

**C. Are there any conflicts of interest that occur in the organization you work for? How are they dealt with?**

### 7. Word formation.

Steve Harrison talks about *regulation* and the *regulator*. The FSA (a *regulatory* authority) *regulates* financial services in the UK. So despite a certain amount of *deregulation*, the financial industry is still *regulated* (as opposed to *unregulated*).

There are lots of word groups like this in English. Verbs can be made into nouns and vice versa, and nouns can be made into adjectives and adverbs, by adding suffixes.

Verbs	Nouns	Adjectives	Adverbs
analyze/analyse	analysis analyst	analytic analytical	analytically
capitalize	capital capitalist	capitalist	

**Complete the table below, and then mark the stressed syllable in each word. Some boxes will contain several words. You heard some of these words in the Listening activities. You will need to use some in the Discussion opposite. Use a dictionary to check your answers.**

Verbs	Concrete and abstract nouns	Nouns for people or organizations	Adjectives	Negative adjectives



3. The investigators talked to the chief (account) \_\_\_\_\_ who gave them some (value) \_\_\_\_\_ information.
4. It would be (advice) \_\_\_\_\_ to (consult) \_\_\_\_\_ a lawyer before talking to the investigators.
5. The raiders thought the large company had become (manage) \_\_\_\_\_. The managers accused the raiders of being (profit) \_\_\_\_\_.
6. A company's (manage) \_\_\_\_\_ are (account) \_\_\_\_\_ to the shareholders.
7. In (account) \_\_\_\_\_, there are various ways of (value) \_\_\_\_\_ assets.
8. For years I thought my investment (advice) \_\_\_\_\_ was absolutely (value) \_\_\_\_\_. But then he told me to buy some dot.com stocks which soon became totally (value) \_\_\_\_\_.

## 9. Discussion.

**The situations, described below, involve well-known conflicts of interests and require people to make some ethical choices. What would you do in these situations and why? Discuss them in pairs or groups. Use some of the words from the Vocabulary exercise above in your discussion.**

1. You get a job in a bank's mergers and acquisition department. One of your new colleagues informs you. "Whenever we know that Company A is going to take over Company B, and the Company B's stocks are going to rise, we go out and buy some of Company B's stocks. We make a profit, but nobody loses, because the stocks we buy had already been sold by somebody else. OK, this is called 'insider dealing', but what's the problem? It should not be a crime".  
What will you do about this?

2. You are an economic adviser to a minister in a new government that has just been elected in a country where the central bank is independent. Several members of the government want to take back control of interest rate policy. After all, the government has been elected, the central bankers have not. If the government controlled interest rate decisions it could keep rates low in the months before the next election. Consequently, many voters would be paying less on their mortgages and other debts, and have more money to spend.

What would you recommend?

3. You work in the research department of a bank. You have written a report which demonstrates that a local manufacturing company would be a good takeover target for the market leader in the industry. This multinational company could modernize the local company's factory and produce goods more efficiently. But it would be probably also take over all the company's other functions, and close down the local marketing, sales, research and development, finance, and human resources departments, resulting in a lot of people losing their jobs. Another possibility would even be for the new owners to close down everything, and move production elsewhere. This would have a catastrophic effect on your town.

Will you still submit a report recommending a takeover?

4. You are a shareholder in a local manufacturing company. A group of shareholders wants to force the company to show more corporate social responsibility. They have proposed a motion for the Annual General Meeting, stating "Before making decisions, this company will consider their impact on all the company's stakeholders – staff, customers, suppliers and the local community – as well as on the environment in general". Other

shareholders oppose the motion, arguing that a company's principal purpose is to maximize returns to its shareholders.  
How will you vote at the AGM?

## 10. Personal finance.

### A. Traditional banking

“I'm Lisa. I have an account at my local branch of one of the big banks. I have a **current account** for writing cheques, paying by debit card and paying bills. It's a **joint account** with my husband. Normally, we're **in the black**, but sometimes we spend more money than we have in the account and we **go into the red** and have an overdraft. We have an **overdraft facility** – an agreement with the bank to be in this situation as long as the overdraft stays within a certain account. There are **charges** that are taken from the account if we **go overdrawn**. And of course, we pay **interest** on the overdraft. The **interest rate** is quite high”.

“I also have a **deposit account** or **savings account** for keeping money for the longer term. This account pays us **interest**, but not very much, especially after tax!

We have a **credit card** with the same bank too, plus other with other **credit card companies**. Paying with **plastic** is very convenient. But we **pay off** the total amounts we've spent every month, so we don't pay interest on this, luckily”.

“We also have a **mortgage**, a loan to buy our house. This is with the type of bank called a **building society**. Luckily, we were not affected by the **credit crunch**, when banks were much more hesitant to lend than before, or **negative equity**, when house prices fell and left some buyers owing more on their mortgage than their house was worth”.

**Note:** British English: current account, cheque account;  
American English: checking account;  
British English: cheque;



American English: check.

## **B. Internet banking**

“In the old days, there was always a queue when I went to my bank, but now they offer **internet banking**. Through my computer at home, I can check my **account balances** – the amount I have in each account – and **transactions** – money going in and coming out. I can even **apply for a personal loan** online. If there’s a problem, I can always phone the bank’s **call centre**”.

## **C. Personal investing**

“We have some **unit trusts** – shares in **investment companies** that put money from **small investors** like me into a range of companies. One type of unit trust here in the UK is in the form of an **ISA** – an **individual savings account** – but there are many other **financial products** available for **saver**”.

“My husband and I have **life insurance** which would **pay out** if either of us dies. This is just one of the **insurance policies** that we have”.

“I pay **contributions** into a **private pension**, which will give me a regular income for my **retirement** when I stop working. I’ve never joined a **company pension scheme** and the government **state pension** is very small”!

“I’m lucky: I recently received a **windfall**, an unexpected one-off increase in the value of my **pension fund**, when my pension company was demutualized.

Some financial institutions now offer all these financial products”.

### **10.1. Look at A and say if these statements are true or false.**

1. You talk about the local 'agency' of a bank.
2. Americans refer to current accounts as check accounts.
3. A joint account is held by more than one person.

4. If you put 10000 euros into a new account and spend 11000 euros, you have an overdraft of 1000 euros and you are 1000 euros in the red.

5. An account for saving money is called a safe account.

6. An account that pays a lot of interest has a high interest rate.

### **10.2. Lisa is looking at her bank's internet site.**

1. (a) See account balances and statements

2. (b) See credit card statements

3. (c) Check out our rates - highest of any major bank.

4. (d) Apply for our new low-interest credit card.

5. (e) Borrow up to £25000. Apply online. Immediate approval.

6. (f) Read our list of fees and charges.

### **10.3. Look at B. What does she click on if she wants to do the following?**

1. See what rate of interest she is getting on her savings account.

2. See if she is in the red on her current account.

3. See how much she owes on her existing credit card.

4. Obtain a new credit card.

5. Understand why she has been charged for something she thought was free.

6. Apply for a personal loan.

### **10.4. Read the article and answer the questions relating to expressions from A, B and C.**

#### **COMPLAINS ABOUT FINANCIAL PRODUCTS REACH RECORD LEVELS**

Complaints about financial products and services leapt by 30 % last year to hit a record, underlining growing dissatisfaction with banks and insurers. The Financial Ombudsman Service (FOS) said the sharp rise was fueled by "sudden surges" in complaints about unauthorized overdraft charges and loan payment protection insurance (PPI), driven

largely by media and internet campaigns. The FOS said that during the year, it referred 123089 new cases for more detailed dispute-resolution work. A spokesman said it had seen the number of mortgage and banking disputes more than triple, while insurance complains had doubled.

There was a tenfold increase in complains about charges on current accounts, and a six fold increase in complaints about PPI, which has been heavily criticized amid claims that is overpriced and is mis-sold to people who would never be able to make a claim. Meanwhile, the number of disputes relating to travel and health insurance fell during the period.

Sir Christopher Kelly, Chairman of the FOS, said: “This time last year we had hoped we were starting to see a downward trend in complaint numbers for the first time. But instead, events during the year have led to the service receiving record numbers of new cases”.

**10.5. Which of these financial institutions are mentioned specifically?**

a) banks;      b) insurance companies;      c) building societies.

**10.6. Which of these financial products do the problems mentioned relate to?**

a) pensions;      b) current accounts;  
c) loan payment protection insurance;  
d) life insurance policies.

**10.7. Which other financial products are mentioned?**

**10.8. For which products has the number of complains increased? For which ones has it decreased?**

**10.9. Over to you.**

- Think of one advantage and one disadvantage of online banking.
- What is the biggest bank in your country? Is it a national or international bank?

## 11. Financial centers

### A. Financial centers

Financial centres are places where there are many banks and other **financial institutions**. London as a financial centre is called **the City** or **the Square Mile**, and New York is **Wall Street**.

Financial centres bring together **investors** and the **businesses** that need their investment. A **speculator** is an investor who wants to make a quick profit, rather than invest over a longer period of time.

**Brokers, dealers** and **traders** buy and sell for investors and in some cases, for themselves or the organizations they work for.

**Note:** British English: financial centre;

American English: financial center.

### B. Stock markets

The Chief Executive of Advanced Computers went through this process:

1. “We needed to **raise capital** to develop and expand, so we decided to **float** the company – in other words to **go public**.”
2. “Our **shares** were **issued** and **listed** for the first time on a **stock market** that specializes in small companies”.
3. “Our shares were **oversubscribed** – there weren’t enough shares for all the investors who wanted them!”
4. “The shares rose by 10 % on their first day. The **flotation** was a big success.

### C. Other financial markets

Products that are bought and sold on other **financial markets** include:

- **commercial paper** – short-term lending to businesses (less than a year)
- **bonds** – longer-term lending to businesses and government (over several years)
- **currencies (foreign exchange or forex)** – buying and selling the money of particular countries
- **commodities** – oil, metal and farm products, for example cereals

These are traded directly between dealers over the telephone and computer networks. Some commodities are traded in a central building called a **commodities exchange**. Shares, bonds and commercial paper are **securities**, and the financial institutions that deal in them are **securities houses**.

#### **D. Derivatives**

A futures contract is an agreement giving an obligation to sell a fixed amount of a security or commodity at a particular price on a particular future date.

An **options contract** is an agreement, giving the right, but not the obligation, to buy or sell a security or commodity at a particular price at a particular future time, or in a period of future time.

These contracts are **derivatives**. Dealers guess how the price of the related **underlying shares** – the shares that the derivatives relate to – is going to change in the future, and use derivatives to try to buy them more cheaply than they could otherwise.

#### **11.1. A financial journalist talks about the importance of financial centers. Complete the gaps with expressions from A.**

Now that a lot of buying and selling can be done over computer networks, (1) b\_\_\_\_\_s and (2) t\_\_\_\_\_s do not need to be in one

place, and (3) s\_\_\_\_\_s can make money by dealing over the Internet from a computer on their living room.

In New York, the area around (4) W\_\_\_\_\_ is home to many (5) f\_\_\_\_\_i\_\_\_\_\_s such as the New York Stock Exchange.

London is one of the Europe's most important financial (6) c\_\_\_\_\_s: over 500 foreign banks have offices in London. But more and more of these financial institutions are not actually based in the traditional area of the (7) C\_\_\_\_\_ or (8) S\_\_\_\_\_, as it's often referred to. As in New York, they are moving to areas where property is cheaper.

**11.2. Read the article and answer the questions relating to expressions from B, C. Begin the answers with words shown.**

### **BANGLADASHI OPERATOR PLANS STOCK MARKET LISTING**

Bangladeshi mobile phone network operator Aktel has confirmed that it intends to list its shares on local stock markets in an initial public offering. The company is 70 % owned by Telekom Malaysia International and the 30 % remaining is currently in the process of being sold by A. K. Khan to Japan's DoCoMo for around US \$ 350 million.

“We have a roadmap to go public by the end of the year. We are working on it,” Nora Junito Dato Seri Mohd Hussaini, chief financial officer (CFO) of AKTEL, told The Daily Star newspaper. Nora did not disclose how much money the company is planning to raise from the capital market saying that it was too soon to release that information.

The country has already six operators but onlyb three of them are of any significant scale. Grameenphone is the largest, and recently announced plans for a US \$ 300 million flotation on both the Dhaka and C#hittagong bourses.

1. Where will be the shares available? On ... .
2. Who is Aktel's current owner? It is ... .

3. When are the shares to be made available? Aktel is going to go  
....
4. How much money will it obtain in this way? It's too early to say  
how much capital they ... .

### 11.3. Use expressions from C and D to describe the following.

- 1) a bank that makes companies' shares available;
- 2) a contract to buy 500 tons of wheat for delivery in three months;
- 3) coffee and copper;
- 4) dollars, euros and yen;
- 5) lending to a company for less than a year;
- 6) lending to a local government authority in the form of ten-year investment certificates;
- 7) shares, bonds, etc. but not currencies or commodities;
- 8) the London Metals Exchange;
- 9) the right to buy shares in a company in one month's time at 1.50 per share.

### 11.4. Over to you.

- **What is your country's main financial center?**
- **What commodities are most commonly traded in your country?**

## 12. Trading

### A. Market indexes

If there is **demand** for shares in a company, for example it is doing well. Its **share price** goes up. The overall value for shares traded on a stock market is shown by an **index** (plural **indexes** or **indices**). Here are some of the most important indexes:

1. London: FTSE: the Financial Times Stock Exchange index – pronounced 'Footsie'.

2. New York: Dow Jones Industrial Average – specializes in shares of long established companies.
3. New York: Nasdaq – specializes in shares of hi-tech companies.
4. Paris: CAC 40.
5. Frankfurt: DAX.
6. Tokyo: Nikkei.
7. Hong Kong: Hang Seng.
8. Shanghai: SSE.

## **B. Market activity: good times ...**

**Trading** (1) has been heavy on the New York Stock Exchange, with **very high turnover** (2) of one and half billion shares **changing hands** (3). We've seen some spectacular **gains** (4), especially among **blue chips** (5).

The **bull market** (6) seems set to continue, after yesterday's **record high** (7) at the **close** (8) with prices continuing to rise today, having **opened** (9) at 14600 and **gaining** (10) 121 **points to close up** (11) at 14721.

**Sentiment is bullish** (12): some of the dealers I've spoken to expect the Dow to **go through the** important 15000 **level** (13) sometime soon, but others see this as a psychological **barrier** (14) that will be difficult to pass.

- 1) buying and selling of shares;
- 2) a large number;
- 3) being bought and sold;
- 4) big increases in value;
- 5) famous companies that are profitable in good times and bad;
- 6) rising level of prices;
- 7) highest level ever;
- 8) end of the working day;
- 9) started the day;
- 10) increasing by;
- 11) ending the day higher;



- 12) feelings are optimistic;
- 13) to pass the 'round' number of ...;
- 14) an important level, but one that is not easy to get through.

### C. ....and bad

There was **panic selling** (1) on the New York Stock Exchange today as share prices fell to new five-year **lows** (2) in a massive **sell-off** (3). We've seen some very big **declines** (4), with billions of dollars **wiped off** (5) the value of some of America's best-known companies, and more than ten per cent of total **market capitalization** (6), **closing down** 1095 **points** (7) at 10072.

The **bear market** (8) seems set to continue, with more **falls** (9) in the next few days. Dealers are still very **bearish** (10): there is no sign of a **rally** (11). If prices continue to fall, we may be looking at a real stock market **collapse** (12) or **crash** (12), like the ones in 1929 and 1987.

- 1) selling shares at any price;
- 2) lowest level for five years;
- 3) selling;
- 4) decreases;
- 5) taken off;
- 6) the total value of shares on the market;
- 7) ending the day lower;
- 8) falling level of prices;
- 9) decreases;
- 10) pessimistic;
- 11) prices starting to rise again;
- 12) very serious drop in the value of shares, with very serious consequences.

### 12.1. Complete the article using information from A.

Yesterday in Asia, in (1) \_\_\_\_\_, the Hang Seng closed 1.6 % at 15657 exactly. In Tokyo, the (2) \_\_\_\_\_ was also up, at 15747.20. In New York last night, the (3) \_\_\_\_\_ closed 1.8 % higher at 10824 exactly, and the hi-tech (4) \_\_\_\_\_ index was 3.3 % up at 3778.32. Turning now to Europe, in early trading in (5) \_\_\_\_\_ the FTSE 100 is 0.1 % down at 6292.80. The French (6) \_\_\_\_\_ index is also slightly down at 6536.85. The DAX in (7) \_\_\_\_\_, however, is 0.1 % higher at 6862.85.

### 12.2. Use expressions in B to answer these questions.

1. What are shares in companies like IBM, Shell, and Procter & Gamble called?
2. What is the activity of buying and selling of shares on a stock market?
3. How do you describe the situation on a day with twice as many shares sold as usual on a particular stock market?
4. How do you describe dealers who think shares in general will gain ten per cent in one day?
5. What is the name for a period when the stock market index has gone from 20000 to 25000?
6. How do you describe dealers who think that prices will fall?
7. How do they refer to the idea that 30000 on a particular stock market index is important but not easy to get through?

### 12.3. Over to you.

- Which company would you buy shares in today, and why?
- What might start panic selling on the stock market?
- What is the difference between a bull market and a bear market?

## 13. Indicators

### A. 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 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** 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'.

### B. Inflation and unemployment

**Inflation** is rising prices, and the rate at which they are rising is the **inflation rate**. The related adjective is the **inflation rate**. The related adjective is **inflationary**.

The **unemployed** are people without jobs in a particular area, country, etc. The level of **unemployment** is a number of people

without a job. Unemployed people are out of work, and are also referred to as **jobless** (adjective) or **the jobless**, especially by journalists. When there are not enough people available to work, there are **labor shortages**.

### C. Trade

The **balance of payments** is the difference between the money coming into and going out of a country. The **trade balance** is the difference between payments for **imports** – goods and services from abroad – and payments for **exports** – products and services sold abroad. When a country exports more than it imports, it has a **trade surplus**. When the opposite is the case, it has a **trade deficit**. The amount of this surplus or deficit is the **trade gap**. If the trade gap gets bigger, it **widens**; if it gets smaller, it narrows.

**Note:** Nouns: EXport, IMport; Verbs: exPORT, import

### Growth and GDP

**Economic output** is the value of goods and services produced in a country or area. **Gross domestic product** or **GDP** is the value of all the goods and services produced in a particular country. **GDP per capita** is the total output of a particular country divided by the number of people living there.

The size of an economy is also sometimes measured in terms of **gross national product** or **GNP**. This also includes payments from abroad, for example from investments.

**Growth** is when output in the economy increases. The **growth rate** is the speed at which a country's economy **grows** and gets bigger.

13.1. **Read the definitions (1–9) and write words from A. 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: \_\_\_\_\_

**13.2. An economics reporter is talking about the economic situation in China. Complete what she says with expressions from B, C and D.**

China’s economic indicators show that growth is likely to continue at its current level, with a (1) \_\_\_\_\_ of about 4 per cent year over the next few years.

Unemployment is not a problem, with very few people (2) \_\_\_\_\_. In fact, there are (3) \_\_\_\_\_, for example in agriculture. As far as the (4) \_\_\_\_\_ is concerned, China (5) \_\_\_\_\_ more than it imports, but the (6) \_\_\_\_\_ will narrow as the cost of its manufactured goods increases. China will continue to import more services than it exports, so the (7) \_\_\_\_\_ in this area will continue to (8) \_\_\_\_\_.

**13.3. Over to you.**

- **What is the difference between a trade surplus and a trade deficit?**
- **What is the inflation rate at the moment in your country? Is it rising or falling?**
- **Which three countries currently have the highest GDP?**

## PART VI. GLOBAL MARKETING STRATEGIES

### 1. Buyers, sellers and the market

#### A. Customers and clients

People who buy IBM's products and services are IBM's **customers** or **clients**. Foster and Partners, a big architectural firm has clients, rather than customers. Client often refers to people and organizations who buy the services of professionals such as accountants, lawyers, etc.

IBM's customers considered as a group make up its **customer base**. Foster and Partner's clients considered as a group form a **client base**. These are slightly technical expressions, used for example in business journalism.

People who buy a company's or professional products or services, especially expensive or exclusive ones, are its **clientele**.

You can also talk about the **users** of a product or service who may not be the organizations who actually buy it. The expression **end-users** refers especially to people who use products, particularly computer equipment and other technology. These expressions are often used in contrast to the producers and distributors of a product. For example, IBM sells products through various channels, but the end-users are the employees of the companies that buy its products.

People who buy products or services for their own use are **consumers**, especially when considered as members of large groups of people buying things in advanced economies.

#### B. Buyers, sellers and vendors

A person or organization that buys something is a **buyer** or **purchaser**. But these terms are also used to talk about someone in a company or shop responsible for buying goods that it uses or sells. These people are also **buying managers** or **purchasing managers**. An **industrial buyer** is an organization that buys things for use in producing its own goods or services.

A person or organization that sells something is a **seller**. In some contexts, for example selling property, they are referred to as the **vendor**. (Business journalists and lawyers may also refer to people selling products, rather than services, as vendors). People selling things in the street are **street vendors**. A **vending machine** is a machine from which you can buy coffee, cigarettes, etc.

### C. The market

**The market, the free market** and market economy are used to talk about an economic system where prices, jobs wages, etc. depend on what people want to buy, how much they are willing to pay, etc. rather than being controlled by a government. In this sense, **market** is often used in these combinations:

<b>market</b>	<p><b>forces used</b> to talk about the way that a market economy makes sellers produce</p> <p><b>pressures</b> what people want to buy, at prices they are willing to pay</p> <p><b>-place</b> producers and buyers in a particular market economy, the way they behave, etc.</p> <p><b>prices</b> prices that other people are willing to pay, rather than one fixed by a government</p> <p><b>reforms</b> changes to an economy mad by a government so that it becomes more like a market economy</p>
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**Note:** Market pressures occur more frequently in the context of financial markets such as stock markets.

1.1. **Match each beginning (1–6) with its continuation to make true statements containing expressions from A.**

1. The Richard Rogers Partnership has some prestigious clients –
2. Louis Vuitton luggage appeal to
3. Telefonica’s client base grew 15 %,

4. Microsoft sells Vista to end-users
5. BSkyB said 92000 new customers had signed up for its products in the last quarter,
6. Centrica, owner of British Gas angered consumers by announcing pre-tax profits of almost £1 billion
  - a) one day after increasing its customers' gas bills by a record 35 %.
  - b) Spanish Airport Authority, for example.
  - c) an upmarket clientele.
  - d) bringing its customer base to 8.98 million.
  - e) and also to major manufactures such as Dell and HP.
  - f) to 245.1 million from the end of June last year to the same time this year.

**1.2. Find appropriate forms of expressions in A and B that refer to the following.**

1. Someone who buys food in a supermarket (4 expressions).
2. All the people who buy food at a particular supermarket chain, from the point of view of the chain.
3. Someone who buys the services of a private detective agency.
4. All the people who buy the services of the agency, seen as a group (2 expressions).
5. Someone who sells goods or services.
6. Someone selling a house (2 expressions).
7. Someone buying a house (2 expressions).
8. Someone who sells hamburgers to tourists outside the Tower of London.
9. Someone whose job is buying tires for a car company (4 expressions).
10. Someone who uses a computer, even if they have not bought it themselves, but their company has (2 expressions).



**1.3. Complete the TV reporter’s commentary with expressions from C containing “market”.**

“In China all economic activity used to be controlled by the state. The prices were fixed by the government, not by buyers and sellers in the (1) \_\_\_\_\_. But in the last 20 years there has been a series of (2) \_\_\_\_\_ that have allowed people to go into business and start their own companies. (3) \_\_\_\_\_ are determined by what buyers are willing to pay, no longer by the state. There are still state-owned companies that lose a lot of money. Until recently, they have been protected from (4) \_\_\_\_\_ (2 possibilities), but (5) \_\_\_\_\_ (2 possibilities) will eventually mean that they have closed down. Of course, the (6) \_\_\_\_\_ has its losers – those without work, and victims of crime, which used to be very rare”.

**1.4. Over to you.**

- **What companies in your country have a large customer base?**
- **What is the purchasing manager responsible for buying in a large office?**

**2. Markets and competitors**

**A. Companies and markets**

The **market** for a particular product is the people/organizations that buy it or might buy it.

Buyers and sellers of goods and services in a particular place form a market.

If a company	<i>enters;</i> <i>penetrates;</i> <i>abandons;</i>	a market,	<i>it starts selling there for the first time.</i>
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	<p><i>gets out of;</i>  <i>leaves;</i>  <i>withdraws from;</i>  <i>dominates;</i>  <i>corners;</i>  <i>monopolizes;</i>  <i>drives another company out of</i></p>		<p><i>it starts selling, or sells more and more, there.</i>  <i>it stops selling there.</i>  <i>it is the most important company selling there.</i>  <i>it becomes the main company selling there.</i>  <i>it is the only company selling there.</i>  <i>it makes the other company leave the market.</i>  <i>perhaps because it can no longer compete.</i></p>
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## B. More word combinations with ‘market’

**Market** is often used in these combinations:

market	<i>growth</i>	There has been huge <b>market growth</b> in the sales of digital music, with Apple in particular seeing a massive increase in the number of people buying songs from iTunes
	<i>segment</i>	Regional airlines are important customers for the Embraer ERJ-145. They are a big <b>market segment</b> for the Embraer
	<i>segmentation</i>	Microsoft divides the software market into large companies, small companies, home office users, and leisure users. This is how it does its <b>market segmentation</b>

	<i>share</i>	In the US, Japanese car makers have been gaining <b>market share</b> – they are selling a bigger percentage of cars sold, and US manufactures are selling a smaller percentage
market	leader	Tesco is the biggest supermarket chain in the UK and is therefore the <b>market leader</b>

### C. Competitors and competition

Companies or products in the same market are **competitors** or **rivals**. Competitors compete with each other to sell more, be more successful, etc.

The most important companies in a particular market are often referred to, especially by journalist, as **key players**.

**Competition** is used to talk about the activity of trying to sell more, be more successful, etc. When competition is strong, you can say that it is **intense, stiff, fierce** or **tough**. If competition isn't strong, it may be described as **low-key**. The **competition** refers to all the products, businesses, etc. competing in a particular situation, seen as a group.

#### 2.1. Choose the correct verb from A to complete the sentences and write it's correct grammatical form.

1. Houston. Texas is conveniently located in the southern US and our objective is to make it the gateway for Latin American technology companies that want to \_\_\_\_\_ (abandon/withdraw from/penetrate) the US market by opening an office there.

2. Las Vegas has \_\_\_\_\_ (enter/corner/get out of) the market on US tourists looking for a wild escape for adults.

3. Foreign pharmaceutical firms are \_\_\_\_\_ (enter/leave/monopolize) the market for the first time to target the country's growing and increasingly health-conscious middle class.

4. Listeners now have numerous stations to choose from, whereas in the past the market was \_\_\_\_\_ (monopolize/dominate/withdraw) by All-India Radio network.

5. As Swiss bankers \_\_\_\_\_ (penetrate/leave/get out of) markets abroad, they are facing like-minded competitors from elsewhere in the world.

**2.2. Replace the underlined expressions with expressions from B. You may need to add a verb in the correct form.**

I'm Olinka and I'm marketing manager for a soft drinks company in the Czech Republic. In this market we (1) *sell more drinks than any other company*. In fact, we (2) *have 55 % of the market*. (3) *Sales are increasing at* seven to eight per cent per year. There are two main (4) *groups of consumers*: those who drink them in cafes, bars and restaurants, and those who buy them to drink at home. Of course, many consumers belong to both groups, but this is our (5) *way of dividing our consumers*.

**2.3. Read this description of a language training market. Answer the questions.**

In Paris, 500 organizations offer language training to companies. However, 90 % of sales are made by the top five language training organizations. The market is not growing in size overall. Organization A has 35 % of the market, and faces stiff competition from B which has about 25 of the market and from C, D and E who have 10 % each, but who are trying to grow by charging less for their courses.

1. How many competitors are there in this market?
2. Is competition in the market strong?
3. Who is the market leader?
4. Who are the two key players?

5. Who mainly takes up the competition, from the market leader's point of view?
6. If one competitor increases its market share, can the others keep their market share at the same level?

#### 2.4. Over to you.

**Talk about the competitors in a particular market and their market shares. (You can talk about the market that your company, or a company you would like to work for, is in).**

### 3. Marketing and market orientation

#### A. Marketing

Marketing is the process of:

- Planning – identifying future needs for –
- Designing – developing and making –
- Pricing – deciding the price for –
- Promoting – informing consumers about –
- Distributing – making available

goods/services in order to satisfy customers needs profitably.

The **marketing concept** should be shared by everyone in an organization – all managers and employees, not just those in the marketing department, should think in these terms of profitability through satisfying customer needs.

Companies point out how the special **features** – important characteristics and qualities – of their products and services possess particular **benefits** – advantages – in relation to the needs of the people who buy them.

Non-profit organizations have other goals, such as persuading people to give money to help people in poor countries,

but these organizations also use techniques of marketing. This is **social marketing**.

In some places, even totally different organizations, such as government departments think about – or at least talk about – their activities in terms of the marketing concept.

## **B. The four Ps**

The four Ps are:

- **Product** – deciding what to do
- **Price** - deciding what prices to charge
- **Place** - deciding how the product will be distributed and where people will buy it
- **Promotion** - deciding how the product will be supported with advertising, special activities, etc.

A fifth P which is sometimes added is **packaging** – the materials used to protect and present a product before it is sold.

The four Ps are a useful summary of the **marketing mix** – the activities that you have to combine successfully in order to sell.

To **market** a product is to make a plan based on a particular marketing mix and put it into action. The **marketing plan** for a new product or service shows how this can be realized.

A **marketer** or a **marketeer** is someone who works in this area. **Marketer** can also be used to describe an organization that sells particular goods and services.

**Note:** **marketeer** is also used in expressions such as **free marketeer** – someone who believes in the benefits of the market economy and **black marketeer** – someone who makes money by selling goods illegally in a place where they are not normally available.

### C. The market orientation

Marketers often talk about **market orientation** – the fact that everything they do is designed to meet the needs of the market. They, their organizations and the products they sell may be described as **market-driven, market-led** or **market-oriented**.

**3.1. Read the conversation from a marketing meeting. Replace the underlined expressions with expressions from A and B. The first one has been done as an example.**

Annika: There's a real customer need out there. We really want a (1) *coherent set of ideas on how we are successfully going to design and sell the product. marketing plan*

Baltazar: Yes, and we've got to decide on the product's (2) *important characteristics and qualities* and (3) *advantages*.

Annika: We've got to work out (4) *what we're going to sell*, (5) *how we're going to communicate this*, (6) *where we're going to sell it and* (7) *what people are going to have to pay for it*.

Baltazar: That's right. The (8) *whole combination*. And we must not forget about (9) *how we're going to protect the product and make it look attractive*.

Annika: Yes, we're first-class (10) *specialists in this area* (2 possibilities).

**3.2. Match the sentences beginnings (1–7) with the correct endings (a–g). The sentences all contain expressions from C.**

1. There are now more efficient and market-oriented
2. Since the 1990s, China has had a much more market-led
3. Many of today's best market-led growth businesses – General Electric, Microsoft, Virgin and Sony are
4. Lack of investment and poor market orientation
5. For 50 years, American television has been a market-driven industry,
6. Deng decentralized control over the economy
7. Communities of actors, writers, directors and technicians

- a) in several markets at once.
- b) and replaced state planning with a market-oriented system.
- c) – where a common spirit improves the work – are not easy to make or keep going in our market-driven society.
- d) approach to economics.
- e) left the companies with falling sales and profits.
- f) farms with less dependence on government money.
- g) and the audience has decided the direction it takes.

### **3.3. Over to you.**

**Think of an organization that is famous for being market-oriented. What factors are important?**

## **4. Products and brands**

### **A. Word combinations with “product”**



<b>product</b>	<b>catalogue (BrE)</b>	a list of a company's products
	<b>catalog (AmE)</b>	a company's product considered together and in relation to one another
	<b>mix portfolio</b>	a company's products of a particular type
	<b>line range</b>	the stages in the life of a product and the number of people who buy it at each stage
	<b>lifecycle</b>	how a product is seen, or how a company would like it to be seen in relation to its other products and/or to competing products
	<b>positioning</b>	
	<b>placement</b>	when a company pays for its products to be used or seen in films and TV programmes

## B. Goods

**Goods** are the materials and components used to make products or the products that are made. **Raw materials** are basic materials from which other things are made. **Finished goods** are products ready to be sold. **Industrial goods** are bought by other companies for use in their activities and products. **Consumer goods** are bought by individuals for their own use. Consumer goods, that last a long time, such as cars and washing machines, are **consumer durables**. Consumer goods as such as food products that sell in large quantities are fast-moving consumer goods (FMCG).

## C. Brands and branding

A company gives a **brand** or **brand name** to its products so that they can be easily recognized. This may be the name of the company itself: in this case, you can talk about the make of the product, for example LG. For many products, you refer to the make and **model** – the Ford (make) Ka (model), the Sony Vaio or the Canon Ixus.

Some brand names become names for the whole **product category** – for example Hoover for vacuum cleaners or Biro for pens.

**Brand awareness** or **brand recognition** is the degree to which people know a particular brand. All the ideas that people have about a particular brand are its **brand image**. A **brand manager** is in charge of the marketing of goods or services with a particular brand.

**Branding** is creating brands and keeping them in customers' minds through advertising, product and package design, and so on. A brand should have a clear **brand identity** so that people think of it in a particular, hopefully positive, way in relation to other brands.

Products that are not **branded** – those that do not have a manufacturer's **brand name** – are **generic products** or **generics**. A product sold by a retailer with its own name rather than the name of its manufacturer is an **own-brand product** (BrE), or **own-label product** or **store brand** (AmE).

### 4.1. Choose the correct expression from A to complete each gap.

1. Unlike traditional product \_\_\_\_\_ (line/mix/placement), under which companies provided goods at no cost in exchange for the exposure, TV advertisers will pay a lot of money for their products to get worked into the actual storyline.

2. At this food shop, the product \_\_\_\_\_ (lifecycle/mix/positioning) includes local produce as well as nuts shipped from California, wine from France and olive oil from Italy.

3. The new product \_\_\_\_\_ (lines/range/placement) are Mr. Ballmar's answer to the most difficult questions about Microsoft's future: where will it find new growth as the Windows and Office businesses continue to mature?
4. There needs to be a tough cost-control policy throughout the different stages of the product \_\_\_\_\_ (catalogue/lifecycle/mix) in order to keep costs down.
5. The firm must define its markets, position ranges of brands and identity gaps which offer opportunities for expansion or new product \_\_\_\_\_ (line/mix/positioning).
6. Ford's CEO Alan Mulally wants to streamline company's product \_\_\_\_\_ (lifecycle/portfolio/positioning) so more cars and trucks are produced in fewer plants.

**4.2. Which group or groups in B does each of these products belong to?**

1. microwave ovens
2. cotton
3. cars
4. hamburgers
5. soap powder

**4.3. Complete the gaps using expressions from C.**

In many stores the generic or store-brand product is to the right of the brand (1) \_\_\_\_\_ on the shelf. Buying (2) \_\_\_\_\_ brand products instead of brand (3) is definitely cheaper and we're showing you just how much you'll save at the grocery checkout on 30 days, 30 ways to save. One shopper told us, (4) "\_\_\_\_\_ brands, yeah you get a better price on that sometimes." Another shopper told us, I shop for alternatives. The 5 \_\_\_\_\_ brands are almost the same in content and ingredient as the upper quality are. I tend to nit-pick and shop." It's no secret, buying (6) \_\_\_\_\_ brands saves you money.

But just how much? We did the shopping for you and compared prices on 18 different products: rice, corn tortillas, vegetable oil, diapers... The difference in price for all these groceries? Over \$63.

Dya Campos, spokesperson for HEB says, “Customers really like the HEB brand”. So you can see the difference, but can you taste it? We asked shoppers to tell us which they liked better.

Half told us they prefer HEB’s brand (7) \_\_\_\_\_ and the rest would rather buy brand (8) \_\_\_\_\_ products. “We want to make sure that we’re manufacturing products in our own brand category that our customers like and will continue to buy and appreciate”, Dya Capos continues. “So quality and standards are really important for us.” We noticed some of the biggest price differences between brand (9) \_\_\_\_\_ medications and HEB’s (10) \_\_\_\_\_ brand medicine.

#### 4.4. Over to you.

- **What are typical product placements in a particular film or TV show that you know?**
- **What are the most famous brands of chocolate, soft drinks, breakfast cereal and fast food in your country?**

## 5. Price

### A. Pricing

The owner of Allmart stores talks about its prices: “As you know, our goods are **low-priced** and this permanently **low pricing** means we **charge** low prices all the time. Our competitors say their goods are more expensive because they **provide** customer service. But we believe that our customers are interested in **cheap** goods and don’t want to pay extra for service.

It is true that we have **loss-leaders** – these are cheap items which are there to attract customers. We have a policy of selling our goods below the “official” **list price** or **recommended retail price**.

This policy is **discounting** – selling at a **discount** to the list price – has been very successful”.

The owner of Luxmart says:

“Allmart’s goods are cheap – low-priced but not of high quality. Our top quality goods are **high-priced**. I agree, but we have high levels of customer service. In fact, most of our goods are **mid-priced** – not cheap and not expensive. Butt Allmart are undercutting us on some products – selling the same ones at lower prices than us.”

### B. Word combinations with “price”

price	boom	when prices are rising quickly, to the benefits of sellers
price	control	government efforts to limit the amount by which prices increase
price	cut	a reduction
price	hike	an increase, especially one not wanted by the buyer, used by journalists
price	war	when competing companies reduce prices in response to each other
price	tag	a label attached to goods, showing the price; also means ‘price’

### C. Upmarket and downmarket

Products exist in in different **models**. Take skis, for example. Some are basic and others more **sophisticated** and **exclusive**. The cheapest skis are **low-end** or **bottom-end**. The most expensive ones are **high-end**, **top-end** or **premium products** – designed for very experienced users (or people with a lot of money). The cheapest **entry-level** skis are intended for beginners who have never bought skis before. Those in between are **mid-range**. When you buy more

sophisticated skis to replace basic ones, you **trade up** and **move upmarket**.

If you buy cheaper skis after buying more expensive ones, you **trade down** and **move downmarket**. To say that something is **downmarket** often shows disapproval. For example, if a publisher **takes** a newspaper **downmarket**, they make it more popular, less cultural, etc. in attempt to increase the number of readers.

#### D. Mass markets and niches

**Mass market** is used to talk about goods that sell in large quantities and the people who buy them, for example family cars. A **niche** is a group of buyers with specific requirements that is relatively small but they may be profitable for companies that sell to it, for example sport cars.

Model	List price (£)	Our price	Average price of similar competing products
Defender	18905	17999	17500
Freelander	19960	18999	18896
Discovery	38495	36999	35987
Range Rover	58 695	54999	52222

5.1. **Look at A. Then say if the statements below this table are true or false.**

1. The retailer has a pricing policy where the prices are below list prices.
2. The Defender is low-priced, and cheap in relation to competing products.
3. The retailer charges £58695b for the Range Rover.
4. The Range Rover is the highest- priced model.
5. The Rage Rover is cheap in relation to competing products.
6. All the models are sold at a discount to their list price.

## 5.2. Complete the sentences with the appropriate form of the words in B.

1. A standard tank with enough helium gas to fill 400 average-size balloons cost £40 five years ago but £88 today, Kaufman said. And there will be another 50 per cent price \_\_\_\_\_ before Christmas.
2. Share prices of firms related to the corn industry have closely followed the recent corn price \_\_\_\_\_, which has been largely fuelled by an increase in ethanol production.
3. The price \_\_\_\_\_ have made the televisions, which are manufactured in Asia and Mexico, affordable to many more families.
4. Government price \_\_\_\_\_ make Alcon's pharmaceutical products less profitable.

## 5.3. Look at C and D. Then read an article from 2008 and answer the questions.

### Starbucks in trouble

From the beginning the key to Starbucks's success was its upmarket image. That the coffee itself was rather expensive only added to its appeal. If you wanted cheap coffee, then go to a diner. For a long while Starbucks managed to keep ahead of the game, expanding very fast, buying competitors and launching new products. Premium coffee remained the basic product – and one others could easily copy. Now McDonald's offers premium coffee, not only cheaper than Starbucks's but of a good quality that won first place in a survey in March by Consumer Report.

As a result, Starbucks finds itself caught in a new, unwelcome 'third place', pressed from below by the fast-food chains that until recently had been considered more downmarket, and from above by a new generation of more upmarket, exclusive and sophisticated coffee houses.

1. What sort of image did Starbucks have when it was launched?
2. Was the fact that it was expensive a problem?

3. Did Starbucks grow just by opening new coffee shops?
4. How has McDonald's coffee changed in the last few years?
5. Is Starbucks in a good competitive position? Why? Why not?

#### 5.4. Over to you.

- Which companies in your country offer the lowest prices:  
a) for family cars; b) for home furniture; c) in supermarkets?
- What are the advantages and disadvantages for a company with an upmarket image trying to increase its sales by offering cheap products?

### 6. Pricing policy

6.1. Read the summary of a report on a meeting about pricing policy in Callan Ltd, a manufacturing company. Think what the words in bold type mean. Then mark sentences True or False. If a sentence is false, explain why.

#### Report

**Subject:** Marketing Focus Group Meeting

**Date:** 4. September 2018

**Present:** DF, HT, PT, JF

The following decisions were taken regarding pricing strategy for the next year:

1. **Budget priced goods** shall only be sold in Category 'C' stores. Goods can only be sold at a budget price where they have already been offered at the **recommended retail price** for a period of not less than three months.
2. Agents shall be instructed that from January 1, we do not show **discounts** on any goods not sold at a previously higher price for a period of three months.
3. Decisions on pricing must realize **margins** for the retailer of up to 25 %. Prices below 15 % are unlikely to be **economic** for any of our retailers.



4. Similarly, our own **factory gate price** must allow the company to cover all **production costs** and also to realize a profit of between 25 and 35 %. Our marketing team should watch the **market prices** to ensure that we do not price ourselves above the **going rate**.
5. Wherever possible, we should sell our products to retailers. This will cut out intermediaries and avoid **retail prices** being forced higher by high wholesale prices.

**Are the following sentences true or false?**

- A. **Budget priced goods** are sold at a lower price than they were offered at before.
- B. The **recommended retail price** is the price the manufacturer thinks a retailer should charge for a product.
- C. A **discount** is a reduced price offered after a period on offer at a higher price.
- D. The **margin** is the difference between the cost of a product to a manufacturer or retailer and the price the manufacturer or retailer receives when the product is sold.
- E. An **economic price** is a price that allows a reasonable profit.
- F. The **factory gate price** is the cost of producing the product for the factory
- G. **Production costs** are the expenses a manufacturer has to pay for labour.
- H. The **market price** is the price one company charges for a product.
- I. The **going rate** is the price the consumers are prepared to pay.
- J. **Retail price** is the price consumers actually pay.
- K. The **wholesale price** is the price paid by consumers who buy many examples of the same product.

**6.2. Match the words with the definitions:**

- 1) break-even point;
- 2) discounting;

- 3) factory gate price;
- 4) inelastic demand;
- 5) overheads;
- 6) penetration strategy;
- 7) price sensitive buyers:
  - a) the price wholesalers and distributors pay for the goods;
  - b) a pricing strategy based on low pricing and low unit profits;
  - c) the point in the development of a product when sales begin to exceed the investment;
  - d) consumers who are very attentive to price changes and look for low-priced items;
  - e) sales of a product do not change much with variations in price;
  - f) reducing prices from a level at which the product was previously offered for sale;
  - g) the day-to-day costs of running a business.

**6.3. A. Match the word on the left with a word on the right.**

- |                |             |
|----------------|-------------|
| 1. penetration | a) demand   |
| 2. down-       | b) priced   |
| 3. fixed       | c) market   |
| 4. budget      | d) costs    |
| 5. elastic     | e) strategy |

**B. Now make another five phrases opposite in meaning to those in part A.**

- |              |             |
|--------------|-------------|
| 1. inelastic | a) demand   |
| 2. variable  | b) priced   |
| 3. premium   | c) market   |
| 4. skimming  | d) costs    |
| 5. up-       | e) strategy |

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Навчальне видання

**Козловська Ганна Борисівна,  
Отрощенко Лариса Степанівна**

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відчуй себе впевнено в глобальному просторі**

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