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ENGLISH FOR FINANCE

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ТОМСКИЙ ПОЛИТЕХНИЧЕСКИЙ УНИВЕРСИТЕТ»**

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Пособие содержит практический материал по курсу «Финансовый английский язык» и предназначено для студентов экономических специальностей, обучающихся в магистратуре (уровень В2 и выше). Пособие имеет практическую направленность и включает такие направления, как Securities (Ценные бумаги), Corporate Finance (Корпоративные финансы), Negotiations (Переговоры), а также Business Correspondence (Деловая корреспонденция).

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INTRODUCTION

Financial English course is developed to provide students with the key skills, tools and terminology they need to operate in an ever competitive international financial environment.

Financial English course will provide students with:

- Greater confidence when discussing financial documents and data.
- Increased verbal fluency for face-to-face negotiations.
- The confidence to produce professional written reports in English.
- Key financial English terminology.

Course objectives

- to consolidate reading of authentic material skills for general understanding and for detail
- to work with different sources of information
- to solve problems in a group
- to develop participation in negotiation skills
- to express ideas clearly and accurately
- to practice writing skills

Teaching and learning methods

Instructional materials will include case studies, business dilemmas, current articles from business journals and newspapers, and texts written for second language learners. Activities will include participation in simulated business meetings; giving oral and written reports; language exercises using audio input; and writing assignments focusing on business reports, e-mails, as well as memos and notes. Language and grammar work will be provided on a “need to know” basis to facilitate clear communication.

1. SECURITIES

THE FINANCIAL ENVIRONMENT

SPEAKING

I. Discuss this question.

What kind of challenges do banks face nowadays?

READING

I. Look at the words and expressions in bold in the article in Exercise 3 (0–12) and match them with their synonyms (a–m). The first one (0) is given as an example.

- 0** b
- a** justify
- b** urged
- c** independence
- d** refute
- e** supports
- f** supposedly
- g** merged
- h** rigid
- i** implied
- j** inspection
- k** increased
- l** turbulence
- m** restricted

II. Scan the sections of the article in Exercise 3 to complete these sentences.

1. Changes in the role and authority of central banks have stimulated requests for higher levels of...
2. Central banks used to be considered to be ...
3. Nowadays, the financial reporting of central banks is more carefully ...

4. Although many central banks may be formally independent, ...
- 5 With a higher level of independence, central banks are required to ...

III. Put these paragraphs from an article about the financial reporting of central banks in the correct order.

CENTRAL BANKS IN FOCUS

A Several forces are driving change in central bank financial reporting, the first of these is the result of significant changes in the role and mandate of central banks. Such changes have **(0) spurred** calls for increased accountability and transparency.

B The driving force of the debate about central bank financial reporting is the universal adoption of the independent central banking model. Whereas in the past central banks were seen as merely another part of the government, many have gained significant **(1) autonomy** in the performance of key tasks.

C In this context, transparency cannot be considered to be a burden which central banks bear in return for independence; on the contrary, it **(2) underpins** their independence.

D In recent years, the financial reporting of central banks has become the focus of close **(3) scrutiny**. Previously, the financial reporting arrangements of central banks were almost considered as a secondary issue, but with the financial **(4) turmoil** in recent years central banks now face tough choices regarding sensitive matters such as reserve reporting and dividend policy.

E In spite of these extreme cases, one of the most powerful ways politicians attack the management of a central bank is by accusing it of mismanagement of funds and criticizing its financial statements. The most effective way for central banks to **(5) rebut** this criticism is to find a solid financial reporting framework which protects their independence and thus provides the necessary protection from any criticism that is driven by politics.

F For some central banks, implementing more **(6) stringent** accounting standards may mean that the **(7) implicit** alliance between central banks, government shareholders and other stakeholders needs to be reconsidered.

G For most central banks, achieving 'formal' independence is only the start of a long battle to avoid political influence. Every day, we hear examples of **(8) nominally** independent central banks which find their freedom constantly **(9) constrained** by politicians. In some cases, Governors have been arrested and even prosecuted or the entire board of directors has been replaced with political delegates.

H Secondly, the safeguards assessment policy introduced by the International Monetary Fund (IMF) has set due diligence standards for central banks of countries borrowing from the fund. Thirdly, the monitoring of how central banks report reserve assets has **(10) heightened** since weaknesses emerged in the Asian financial crisis. And finally, international accounting standards themselves have **(11) converged** and progressed.

I Obviously, this high degree of autonomy raises new considerations. In addition to their more traditional responsibilities for monetary and exchange rate policy, central banks now have to **(12) account for** their actions and show shareholders that they are operating efficiently and effectively. A key element of this is financial transparency.

LISTENING

I. Before listening to a report about the credit crunch, discuss the answers to these questions in pairs.

1. How have banks been affected by the credit crunch?
2. How does this situation affect the auditing of banks?
3. What institution monitors the reporting of banks in the UK?

II. Listen to the report and complete this summary. The first one (0) is given as an example.

Audit crunch warning for banks

The Financial Reporting Council has warned banks that their balance sheets will be **(0) Carefully Scrutinized** in future. The FRC's main concern is that some banks and financial institutions may try (1) _____ the effects of the global credit crunch. The council has also stressed that auditors should be particularly (2) _____ when checking their clients' (3) _____. Due to the global credit crunch, several large banks have (4) _____ assets and have looked for (5) _____ to cover their (6) _____. One such bank in the UK, Northern Rock, received a J25bn (7) _____ from the Bank of England. The FRC, responsible for monitoring and (8) _____ the audit industry in the UK, pointed out that the credit crunch scenario has made the (9) _____ to confidence in corporate reporting much higher than recent years. Increased risks mean that auditors should apply more (10) _____ to the process of checking accounts.

WRITING

I. Complete the gaps in the letter with the correct article or preposition. The first one (0) is given as an example.

12 February 2008

Mr Alphonse Dora
43 Oakmount Crescent
London, Ontario
M8V 3O2



Dear Mr Dora,

As promised, I am forwarding (0) **the** information you requested regarding confidentiality guidelines of customer information.

- 1 Banks and building societies will observe a strict duty (1) _____ confidentiality about their customers' affairs and will not disclose customers' accounts or their names and addresses to any third party, including other companies in (2) _____ same group, other than in exceptional cases permitted (3) _____ law or details where disclosure is made at (4) _____ request, or (5) _____ the consent, of customer.
- 2 Banks and building societies will give customers at least 28 days' notice if they intend (6) _____ disclose to credit-reference agencies information or undisputed personal debts which are (7) _____ default and where no satisfactory proposals (8) _____ repayment have been received following (9) _____ formal demand.
- 3 Banks and building societies will at all times comply (10) _____ the Data Protection Act when obtaining and processing customers' data. In addition, they will explain (11) _____ their customers that they have the right of access to their personal records held (12) _____ computer files.

Should you require any further information, please contact us.

Yours sincerely,

Rogério Florissi
Accounts Manager

II. Write a similar letter in response to request of information about procedures related to services you provide to your client.

STOCKS AND SHARES

SPEAKING

- Have you ever speculated in anything? What happened?
- Do you agree with Mark Twain that it's always dangerous to speculate in stocks and shares?
- There were two big stock market crashes in the twentieth century. Do you know when?
- Do you know why and how companies issue shares?
- Do you possess any shares? Why did you buy them? How did you buy them?

READING

Read the following text and then decide whether the following statements are TRUE or FALSE:

The act of issuing shares (GB) or stocks (US) – i.e., offering them for sale to the public for the first time, is known as floating a company or making a flotation. Companies generally use a bank to underwrite the issue. In return for a fee, the bank guarantees to purchase the security issue at an agreed price on a certain day, although it hopes to sell it to the public. Newer and smaller companies trade on "over-the-counter" markets, such as the Unlisted Securities Market in London. Successful companies can apply to have their shares traded on the major stock exchanges, but in order to be quoted (GB) or listed (US) there, they have to fulfill a large number of requirements. One of these is to send their shareholders independently audited annual reports, including the year's trading result and a statement of the company's financial position.

Buying a share gives its holder part of the ownership of a company. Shares generally entitle their owners to vote at companies' General Meetings, to elect company directors, and to receive proportion of distributed profits in the form of a dividend (or to receive part of the company's residual value if it goes into bankruptcy). Shareholders can sell their shares at any time on the secondary market, but the market price of a share – the price quoted at any given time on the stock exchange which reflects how well or badly the company is doing – may differ radically from its nominal, face, or par value.

At the London Stock Exchange, share transactions do not have to be settled until the account day or settlement day at the end of a two-week accounting period. This allows speculators to buy share hoping to resell them at a higher price before they actually pay for them, or to sell shares, hoping to buy them back at a lower price.

If a company wishes to raise more money for expansion, it can issue new shares. These are frequently offered to existing shareholders at less than their market price: this is

known as a rights issue. Companies may also turn part of their profit into capital by issuing new shares to shareholders instead of paying dividends. This is known as a bonus issue or scrip issue or capitalization issue in Britain, and as a stock dividend or stock split in the US. American corporations are also permitted to reduce the amount of their capital by buying back their own shares, which are then known as treasury stock; in Britain this is generally not allowed, in order to protect companies' creditors. If a company sells share at above their par value, this amount is recorded in financial statements as share premium (GB) or paid-in surplus (US).

The Financial Times-Stock Exchange (FT-SE) 100 Share Index (known as the "Footsie") records the (average value of the 100 leading British shares, and is updated every minute during trading. The most important US index is the Dow Jones Industrial Average.

- | | |
|---|------------|
| 1. A company can only be floated once. | TRUE/FALSE |
| 2. Banks underwrite share issues when they want to buy the shares. | TRUE/FALSE |
| 3. It is easier for a company to be quoted on an unlisted securities market than on a major stock exchange. | TRUE/FALSE |
| 4. Unlisted companies do not publish annual reports. | TRUE/FALSE |
| 5. The market price of a share is never the same as its nominal value. | TRUE/FALSE |
| 6. On the London Stock Exchange it is possible to make a profit without ever paying anyone any money. | TRUE/FALSE |
| 7. If a company issues new shares, it has to offer them to existing shareholders at a reduced price. | TRUE/FALSE |
| 8. A scrip issue can be an alternative to paying a dividend. | TRUE/FALSE |
| 9. American corporations with large amounts of cash can spend it by buying their own shares. | TRUE/FALSE |
| 10. Companies do not have to sell their shares at their nominal value. | TRUE/FALSE |

VOCABULARY

I. Add appropriate words from the text to these sentences:

1. Offering shares to the public for the first time is called _____ a company.
2. A company offering shares usually uses a merchant bank to _____ the issue.
3. The major British companies are _____ on the London Stock Exchange.
4. In London, share transactions have to be _____ every two weeks.
5. The value written on a share is its _____ .
6. The value listed in the newspapers is its _____ .

II. Complete the sentences using these words:

arbitrageurs	bears	bulls	insiders
market-makers	shareholders	stags	stockbrokers

1. People who buy stocks and shares are called _____ in Britain, and stockholders in the USA (although most of the shares of all leading companies are held by institutional investors such as pension funds and insurance companies).
2. People who buy securities expecting their price to rise so they can resell them before the next settlement day are known as _____ .
3. People who sell shares hoping to buy them back at a lower price before the next settlement day are called _____ .
4. People who buy new share issues, hoping to resell them at a profit (if the issue is over-subscribed) are known as _____ .
5. Shareholders place their orders with and sometimes seek advice from _____, who are members of the Stock Exchange, but who can work anywhere with a telephone and a computer screen connected to the Stock Exchange.
6. Brokers in turn buy shares from and sell them to _____, who are wholesalers in stocks and shares, and who guarantee to make a market at all times with brokers.
7. _____ are people who occupy a position of trust within an organization and possess information not known to the public; buying or selling shares when in possession of such information that affects their price is illegal.
8. _____ are people who buy stakes in companies involved (or expected to be involved) in takeover bids.

III. Complete the following using the phrases in the box:

Types of Shares

barometer stocks	blue chips	defensive stock
deferred shares	equities	growth stock
mutual fund	ordinary shares	participation certificates
preference shares or preferred stock		

1. Another name for stocks and shares is _____, because all the stocks or shares of a company – or all those of a particular category – have an equal nominal value.
2. _____ (US: common stock) are often the only kind of shares with voting rights.
3. Some companies issue _____ which, like shares, grant their holders part of the ownership of a company, but usually without voting rights.
4. _____, as their name suggests, usually receive a fixed dividend, which must be paid in full before any dividend is paid on other shares. But because interest payments are tax deductible, and dividends are not, many companies now issue bonds instead.
5. _____ (or stock), again as the name suggests, do not receive a dividend until other categories of shares have had a dividend paid on them, but might earn a higher dividend if the company does well.
6. Securities in companies that are considered to be without risk are known as _____.
7. Widely held stocks (e.g., blue chips or 20-year Treasury Bonds) that can be considered as indicators of present and future market performance, are known as _____ (GB) or bellwether stocks (US).
8. A _____ or share is one that is expected to appreciate in capital value; it usually has a high purchasing price and a low current rate of return.
9. A _____ or income stock or share is one that offers a good yield but only a limited chance of a rise or decline in price (in an industry that is not much affected by cyclical trends).
10. A way of spreading risks is to invest in a unit trust (in Britain) or a _____ (in the US), organizations that invest small investors' money in a wide portfolio of securities.

BONDS

READING

*In Tom Wolfe's novel, **The Bonfire of the Vanities**, Sherman McCoy is a bond dealer in New York. One weekend his six-year-old daughter comes up with a question.*

'Daddy . . . what do you do?'

'Well, I deal in *bonds*, sweetheart. I buy them, I sell them, I —'

'What are bonds? What is deal?'

'Well, honey, bonds are — a bond is — well, let me see, what's the best way to explain it to you . . . A bond is a way of loaning people money. Let's say you want to build a road, and it's not a little road but a big highway, like the highway we took up to Maine last summer. Or you want to build a big hospital. Well, that requires a lot of money, more money than you could ever get just by going to a bank. So what you do is, you issue what are called bonds.'

'You build roads and hospitals, Daddy? That's what you do?'

'No, I don't actually build them, sweetheart. I handle the bonds, and the bonds are what make it possible —'

'You *help* build them?'

'Well, in a way'

'Which ones?'

'Which *ones*?'

'You said roads and hospitals.'

'Well, not any one specifically.'

'The road to Maine?'

LISTENING

I. You will hear Richard Mahoney, a Vice-President with J. P. Morgan and Co. in New York, explaining bonds. Listen to the interview and answer the following questions.

1. What is the difference between bonds and stocks, in terms of income and repayment?
2. What are the three types of investor clients mentioned?
3. Mahoney gives examples of types of investments that generally carry very low, moderate, and higher risk. What are they?
4. What causes bonds to appreciate and depreciate in price?

VOCABULARY

I. Match the responses on the right with the questions on the left:

- | | |
|---|---|
| 1. So what exactly are bonds? | a. Because of changes in interest rates. For example, noone will pay the full price for a 6 % bond if new bonds are paying 10 %. |
| 2. And how do they work? | b. Exactly. And the opposite, a bond whose market value is higher than its face value, is above par. |
| 3. So you have to keep them for a long time? | c. I knew you'd finish by saying that! |
| 4. Why should that happen? | d. No, not at all. Bonds are very liquid. They can be sold on the secondary market until they mature. But of course, the price might have changed. |
| 5. Oh, I see. Is that what they mean by below par? | e. No, not unless it's a floating rate bond. The coupon, the amount of interest a bond pays, remains the same. But the yield will change. |
| 6. But the bond's interest rate doesn't change? | f. No, those are short-term (three-month) instruments which the government sells to and buys from the commercial banks to regulate the money supply. |
| 7. How's that? | g- That's the name they use in Britain for long-term government bonds – gilts or gilt-edged securities. In the States they call them Treasury Bonds |
| 8. And people talk about AAA and AAB bonds, and things like that. | h. They're securities issued by companies, governments and financial institutions when they need to borrow money. |
| 9. And what about gilts? | i. Well, a bond's yield is its coupon payment expressed as a percentage of its price on the secondary market, so the yield changes if you buy or sell above or below par. |
| 10. Not Treasury Bills? | j. Well, they usually pay a fixed rate of interest and are repaid after a fixed period, known as their maturity, for example, five, seven, or ten years. |
| 11. And James Bond? | k. Yes. Bond-issuing companies are given an investment grade by private ratings companies such as Standard & Poors, according to their financial situation and performance. |

II. Complete the following:

1. Companies generally use investment banks to _____ their bonds.
2. Thereafter, they can be traded on the _____ market.

3. The amount of interest a bond pays is often called its _____ .
4. The majority of bonds have a _____ rate of interest.
5. A bond's _____ depends on the price it was bought at.
6. A bond priced at 104 % is described as being _____
7. Bonds are repaid at 100 % at _____ .
8. AAA is the highest _____ .

READING

I. Read the text below and answer the following questions.

1. Why do most companies use a mixture of debt and equity financing?
2. Why do governments issue bonds?

BONDS

Companies finance most of their activities by way of internally generated cash flows. If they need more money, they can either sell shares or borrow, usually by issuing bonds. More and more companies now issue their own bonds rather than borrow from banks, because this is often cheaper: the market may be a better judge of the firm's creditworthiness than a bank, i.e., it may lend money at a lower interest rate. This is evidently not a good thing for the banks, which now have to lend large amounts of money to borrowers that *are* much less secure than blue chip companies.

Bond-issuing companies are rated by private ratings companies such as Moody's and Standard & Poors, and given an 'investment grade' according to their financial situation and performance, Aaa being the best, and C the worst, i.e., nearly bankrupt. Obviously, the higher the rating, the lower the interest rate at which a company can borrow.

Most bonds are bearer certificates, so after being issued (on the primary market), they can be traded on the secondary bond market until they mature. Bonds are therefore liquid, although of course their price on the secondary market fluctuates according to changes in interest rates. Consequently, the majority of bonds on the secondary market are traded either above or below par. A bond's yield at any particular time is thus its coupon (the amount of interest it pays) expressed as a percentage of its price on the secondary market.

For companies, the advantage of debt financing over equity financing is that bond interest is tax deductible. In other words, a company deducts its interest payments from its profits before paying tax, whereas dividends are paid out of already taxed profits. Apart from this 'tax shield', it is generally considered to be a sign of good health and anticipated higher future profits if a company borrows.

On the other hand, increasing debt increases financial risk: bond interest has to be paid, even in a year without any profits from which to deduct it, and the principal has to be re-

paid when the debt matures, whereas companies are not obliged to pay dividends or repay share capital. Thus companies have a debt-equity ratio that is determined by balancing tax savings against the risk of being declared bankrupt by creditors.

Governments, of course, unlike companies, do not have the option of issuing equities. Consequently they issue bonds when public spending exceeds receipts from income tax, VAT, and so on. Long-term government bonds are known as gilt-edged securities, or simply gilts, in Britain, and Treasury Bonds in the US.

The British and American central banks also sell and buy short-term (three-month) Treasury Bills as a way of regulating the money supply. To reduce the money supply, they sell these bills to commercial banks, and withdraw the cash received from circulation; to increase the money supply they buy them back, paying with newly created money which is put into circulation in this way.

II. In each case, which of the three statements is TRUE?

- 1** Banks' loan portfolios are now generally less secure than 20 years ago
 - A** because bankers are becoming irresponsible.
 - B** because blue chip companies are becoming irresponsible.
 - C** because blue chip companies issue their own bonds, and banks that receive deposits still have to lend money.

- 2** Bondholders can
 - A** only get their money back when the bond matures.
 - B** get their money back at any time.
 - C** try to get their money back at any time.

- 3** If interest rates
 - A** rise above a bond's coupon, the bond will probably sell at above par.
 - B** fall below a bond's coupon, the bond probably sell at above par.
 - C** rise above a bond's coupon, its yield will normally decrease.

- 4** The fiscal system in most countries makes it advantageous for companies
 - A** to issue bonds rather than borrow from a bank.
 - B** to issue stocks or shares rather than bonds as long as they don't make a loss.
 - C** to issue bonds rather than stocks or shares as long as they make a profit.

- 5**
 - A** Governments systematically issue bonds to finance public spending.
 - B** Governments issue bonds to finance public spending when necessary.
 - C** Governments or central banks regularly issue bonds to increase the money supply.

LISTENING

II. Listen to Richard Mahoney again defining three different types of bonds. After listening to the definitions, try to work out:

1. When would companies be interested in issuing floating rate notes?
2. When would investors be interested in buying floating rate notes?
3. When would investors be interested in buying convertible bonds?
4. Why might companies be interested in issuing convertible bonds?
5. What kind of investor would be interested in buying junk bonds?

FUTURES AND DERIVATIVES

READING

1. Study the exercise below before reading the following text:

Contracts can be made on futures markets to buy and sell currencies, various financial assets, and commodities (raw materials or primary products such as metals, cereals, tea, rubber, etc.) at a future date, but with the price fixed at the time of the deal. Currencies and commodities are also traded for immediate delivery on spot markets.

Making contracts to buy or sell a commodity or financial instrument at a pre-arranged price in the future as a protection against price changes is known as hedging. Of course, this is only possible if two parties, for example, a producer and a buyer, both want to hedge, or if there are speculators who believe that they know better than the market.

Traders or speculators might wish to buy or sell a currency at a future price if it is expected to appreciate or depreciate, or if interest rates are expected to change. Prices of foodstuffs – wheat, maize, coffee, tea, sugar, cocoa, orange juice, pork bellies, etc. – are frequently affected by droughts, floods and other extreme weather conditions, which is why both producers and buyers often prefer to hedge, so as to guarantee next season's prices. When commodity prices are expected to rise, future prices are obviously higher than, or at a premium on, spot prices; when they are expected to fall they are at a discount on spot prices; when they are expected to stay the same, future prices are also higher, as they include interest costs.

As well as commodities and currencies, there is a growing futures market in stocks and shares. One can buy options giving the right to buy and sell securities at a fixed price in the future. A call option gives its holder the right, but not the obligation to buy securities or a commodity, or currency at a certain price during a certain period of time. A put option gives its holder the right to sell securities, currencies, commodities, etc. at a certain price during a certain period of time.

The buyer of a share option pays a premium per share to the seller, and only risks this amount. The seller of an option (known as the writer) risks losing an unlimited amount of money, depending on the performance of the underlying share, especially if he or she does not actually possess it.

If you expect the value of a share that you own to fall below its current price, you can buy a put option at this price (or higher): if the price falls, you can still sell your shares at this price. Alternatively, you could write a call option giving someone else the right to buy the share at the current price: if the market price remains below this price, no one will take up the option, and you earn the premium.

On the contrary, if you think a share will rise, you can buy a call option giving the right to buy at the current price, hoping to buy and resell the share at a profit, or to sell this option. Or you can write a put option giving someone else the right to sell the shares at the current price: if the market price remains above this, no one will exercise the option, so you earn the premium.

The price at which the holder of a call/put option may buy/sell the underlying security is known as its exercise or strike price. A call (put) option has intrinsic value if its exercise price is below (above) the current market price of the underlying share.

Call options with an exercise price below the underlying share's current market price,

and put options with an exercise price above the share's market price, are described as being "in-the-money".

On the contrary, call options with an exercise price higher than a share's current market price, and put options with an exercise price lower than the share's market price, are "out-of-the-money".

Decide whether the following statements are TRUE or FALSE:

1. The price of a futures contract is determined at the moment the contract is made.
2. Hedging is another name for speculating.
3. Futures prices are always higher than spot prices because they contain interest charges.
4. In options, 'call' means 'buy' and 'put' means 'sell'.
5. The amount of money one can make or lose on an options contract is determined at the moment the contract is made.
6. You can sell an option to sell an asset you do not actually possess.
7. If you think a share will rise, you can profit by buying a call option or writing a put option giving someone else the right to sell the shares at the current price.
8. If you think the value of a share you own will fall below its current price, you can profitably buy a call option at this price (or higher) or write a put option.
9. A put option has intrinsic value if its exercise price is above the current market price of the underlying share.
10. A call option with an exercise price below the underlying share's current market price is "out-of-the-money".

VOCABULARY

I. Match up the following words (using them more than once if necessary) to make up at least ten two-word nouns:

call	contract	financial	forward	futures
instrument	market	materials	option	price
primary	product	raw	spot	strike

II. Match up the following words or expressions to make eight pairs of opposites:

call option	discount	drought	exercise price
flood	futures market	hedging	in-the-money
market price	obligation	out-of-the-money	premium
put option	right	speculation	spot market

LISTENING

I. Listen to Part One of the talk by Lillian Chew and then decide whether the following statements are TRUE or FALSE, according to what she says.

1. The fault lies with the banks who sell derivatives rather than the buyers.
2. Companies have lost money with derivatives because they took on risks they didn't understand.
3. Companies have used derivatives for purposes other than those they were designed for.
4. Companies ought to use the same derivative for both hedging and speculating.

II. Read the following extract from the talk while listening to Part Two and then match up the expressions in italics with the definitions or synonyms below.

If its a hedge you manage it passively, you don't worry too much if rates move against you or in your favor. If it's not a hedge, if it's to take on, if a derivative is used to (1) *take on risk, to increase returns*, then it requires a more (2) *hands-on* management approach. You need (3) *stop-loss limits*, you need to conduct (4) *scenario analysis* to see how that transaction behaves under various conditions, you need to conduct (5) *sensitivity analysis* to see ... what market conditions they're most sensitive to. And then you have to judge whether the P&L impact of that transaction can be (6) *withstood* in the firm. Or as in P&G's case whether cost savings generated are worth the (7) *open-ended exposure*. I think there's also a need for management to give the front line personnel relevant guidelines for all activities.

I think the industry realizes that it has to police itself. I think they realize that if they don't police themselves, the regulators will come on, on them. I think that's why we've seen the framework for (8) *voluntary oversight* from the SEC-registered companies as well as ISDA's code of conduct, as well as the Bankers' Trust-Federal Reserve sales agreement. I think all these codes of conduct embody the principle that the major risks of a transaction have to be explained to customers, and that sensitivity and scenario analysis are offered (9) *unsolicited* to customers, and that these analyses should be done as objectively as possible.

- A** a study of all the potential consequences of a derivative contract
- B** a study of the particular market changes which could affect the outcome of a derivative contract
- C** active, interventionary
- D** even if nobody asks for it
- E** restrictions on the amount you can lose if the underlying price changes
- F** self-regulation by the financial industry
- G** speculate
- H** supported
- I** unlimited risk

III. Listen to Part Three of the talk and answer these questions.

- 1.** Lillian Chew says that the image of the derivatives industry has been tarnished or damaged, but this is a good thing. Why?
- 2.** Which of the following does Lillian Chew say?
 - A** Front line financial managers and derivatives traders must explain derivative use to senior management.
 - B** Senior management must explain derivative use to front line financial managers.
 - C** Senior management alone must determine derivative policy.
 - D** Senior management and front line managers together must determine derivative policy.

2. CORPORATE FINANCE

MERGERS AND ACQUISITIONS

VOCABULARY

1. Match up these words with the definitions below.

backward integration	to diversify (diversification)	forward integration	
horizontal integration	to innovate (innovation)	merge (a merger)	a raid
synergy	a takeover bid	vertical integration	

1. designing new products and bringing them to the market
2. to expand into new fields
3. to unite, combine, amalgamate, integrate or join together
4. buying another company's shares on the stock exchange, hoping to persuade enough other shareholders to sell, to take control of the company
5. a public offer to company's shareholders to buy their shares at a particular price during a particular period, so as to acquire a company
6. to merge with or take over other firms producing the same type of goods or services
7. joining with firms in other stages of the production or sale of a product
8. a merger with or the acquisition of one's suppliers
9. a merger with or the acquisition of one's marketing outlets
10. combined production that is greater than the sum of the separate parts

SPEAKING

1. Read the 15 sentences below and classify them under the following three headings. (One sentence probably falls under two categories.)

- | |
|--|
| <p>A Arguments in favor of mergers or takeovers</p> <p>B Arguments against mergers or takeovers</p> <p>C The advantages of a raid as compared to a takeover bid</p> |
|--|

1. After a hostile takeover, the former top executives will leave or be replaced, so all that remains is the capital equipment.
2. A larger company will have a stronger position on the market.
3. Conglomerates may become unmanageable and fail to achieve synergy.
4. Contrary to a common belief, a company's optimum market share is rarely very large.
5. Diversification dilutes a company's shared values (such as quality, service, innovation, and so on).
6. Entering new markets with new brands is generally slow, risky and expensive.
7. In many countries, if all the shareholders agree to sell, the bidder is obliged to buy 100 % of the shares and cannot stop at 50 % plus one.
8. Individual companies might be more efficient if they didn't have to deal with a conglomerate's central management.
9. Innovation is expensive and risky, and sometimes more expensive than acquiring or merging with other successful innovative firms.
10. In this case, it is not necessary to pay more than the existing market price.
11. It may permit the rationalization and optimization of the use of production facilities and invested capital, and enable economies of scale.
12. One can attempt to buy a large quantity of shares through several brokers as soon as the market opens, before speculators notice the rising price and join in.
13. Success comes from having a long-term competitive advantage, i.e., producing a cheaper or better product than those of competitors, or focusing on a narrow market segment.
14. This is a way for a company to reduce competition.
15. Traditionally, the best companies have always beaten their competitors rather than buying them.

LISTENING

You will hear Max Pocock, a director of the international corporation Leica, talking about how it was formed.

I. Listen to Part One of the interview, in which Max Pocock talks about the history of Cambridge Instruments, and number the following stages in the order in which they happened.

The company	Number
A became insufficiently profitable.	_____
B developed and manufactured high-tech products.	_____
C expanded very quickly.	_____
D joined together with a German company.	_____
E manufactured instruments for Cambridge University.	_____
F was privatized.	_____
G was nationalized.	_____

II. Listen to Part Two of the interview and answer the following questions.

- 1 What reasons does Max Pocock give for describing the merger of Cambridge Instruments and Wild-Leitz as 'Very much a partnership of two equals'?
- 2 What does he say was the purpose of the merger?
- 3 What four reasons does he give for describing the creation of Leica as a success?

III. Listen to Part Three of the interview and answer the following questions.

- 1 What reason does Max Pocock give for the technical staff in the two merged companies successfully working together from the beginning?
- 2 What does he say the staff of the two merged companies had previously done but now no longer needed to do?
- 3 In what areas did people lose their jobs?
- 4 What does Max Pocock say in answer to the final question that suggests there will probably be more job losses in the future?

LEVERAGED BUYOUTS

READING

I. Read the following text and underline the arguments for and against leveraged buyouts.

LEVERAGED BUYOUTS

One indication that the people who warn against takeovers might be right is the existence of leveraged buyouts.

In the 1960s, a big wave of takeovers in the US created conglomerates – collections of unrelated businesses combined into a single corporate structure. It later became clear that many of these conglomerates consisted of too many companies and not enough synergy. After the recession of the early 1980s, there were many large companies on the US stock market with good earnings but low stock prices. Their assets were worth more than the companies' market value.

Such conglomerates were clearly not maximizing stockholder value. The individual companies might have been more efficient if liberated from central management. Consequently, raiders were able to borrow money, buy badly-managed, inefficient and underpriced corporations, and then restructure them, split them up, and resell them at a profit.

Conventional financial theory argues that stock markets are efficient, meaning that all relevant information about companies is built into their share prices. Raiders in the 1980s discovered that this was quite simply untrue. Although the market could understand data concerning companies' earnings, it was highly inefficient in valuing assets, including land, buildings and pension funds. Asset-stripping – selling off the assets of poorly performing or under-valued companies – proved to be highly lucrative.

Theoretically, there was little risk of making a loss with a buyout, as the debts incurred were guaranteed by the companies' assets. The ideal targets for such buyouts were companies with huge cash reserves that enabled the buyer to pay the interest on the debt, or companies with successful subsidiaries that could be sold to repay the principal, or companies in fields that are not sensitive to a recession, such as food and tobacco.

Takeovers using borrowed money are called 'leveraged buyouts' or 'LBOs'. Leverage means having a large proportion of debt compared to equity capital. (Where a company is bought by its existing managers, we talk of a management buyout or MBO.) Much of the money for LBOs was provided by the American investment bank Drexel Burnham Lambert, where Michael Millken was able to convince investors that the high returns on debt issued by risky enterprises more than compensated for their riskiness, as the rate of default was lower than might be expected. He created a huge and liquid market of up to 300 billion dollars for 'junk bonds'. (Millken was later arrested and charged with 98 different felonies, including a lot of insider dealing, and Drexel Burnham Lambert went bankrupt in 1990.)

Raiders and their supporters argue that the permanent threat of takeovers is a challenge to company managers and directors to do their jobs better, and that well-run businesses that

are not undervalued are at little risk. The threat of raids forces companies to put capital to productive use. Fat or lazy companies that fail to do this will be taken over by raiders who will use assets more efficiently, cut costs, and increase shareholder value. On the other hand, the permanent threat of a takeover or a buyout is clearly a disincentive to long-term capital investment, as a company will lose its investment if a raider tries to break it up as soon as its share price falls below expectations.

LBOs, however, seem to be largely an American phenomenon. German and Japanese managers and financiers, for example, seem to consider companies as places where people work, rather than as assets to be bought and sold. Hostile takeovers and buyouts are almost unknown in these two countries, where business tends to concentrate on long-term goals rather than seek instant stock market profits.

Workers in these companies are considered to be at least as important as shareholders. The idea of a Japanese manager restructuring a company, laying off a large number of workers, and getting a huge pay rise (as frequently happens in Britain and the US), is unthinkable. Lay-offs in Japan are instead a cause for shame for which managers are expected to apologize.

II. Complete the following sentences, which summarize the text above.

1. The fact that many large conglomerates' assets were worth more than their stock market valuation demonstrated that . . .
2. Raiders bought conglomerates in order to . . .
3. Raiders showed that the stock market did not . . .
4. Raiders were particularly interested in . . .
5. Investors were prepared to lend money to finance LBOs because . . .
6. Raiders argue that the possibility of a buyout . . .

VOCABULARY

1. Match the responses on the right with the sentences on the left. There is one EXTRA response on the left.

1. What's the difference between a takeover bid and an LBO?
A. Exactly. And make a profit in the process.
2. Borrowed from where?
B. LBO is short for "leveraged buyout." It involves buying a company with a lot of borrowed money.
3. Ah'huh. Guess what my next question is?
C. Not an appalling joke about "elbows", I hope?
4. OK, so you borrow money and buy a company. Then what?
D. OK. They're bonds that are considered to be fairly risky but which pay a high rate of interest. People buy them because the high returns generally compensate the risk of default.
5. Uh?
E. Well, it can go wrong. If there's a recession or a stock market crash it makes it more difficult to sell the assets, and if you have less sales revenue, it becomes harder to pay the interest on the borrowed money.
6. And then you pay back the bank or the bond holders?
F. Well, you choose a large, badly-managed, inefficient corporation or conglomerate, or a company with huge cash reserves, or whose assets are worth more than its stock market value. You buy it, restructure it, and sell the profitable bits. It's called asset-stripping.
7. Sounds easy.
G. Wherever you can get it. You can try to get an ordinary loan from a bank, or you can try to sell junk bonds.
8. Oh, I see. So it can go wrong. Just one more thing . . .
H. You sell it again.
9. Forget it!

II. Add appropriate words to these sentences.

1. Leverage means using a high proportion of money.
2. LBOs are oftenby junk bonds.
3. The people who try LBOs compare the value of a company's assets with its.....
4. The profit in an LBO often comes from.....
5. LBOs have led to several..... being split up.

INVESTMENT SCHEME

READING

I. Read the text about Net Asset Value. In most of the lines there is ONE EXTRA word. Some lines are correct.

Net Asset Value

1 "Net asset value," or "NAV", of an investment company is in the company's total
assets minus its
2 total liabilities. For example, if an investment to company has securities and other
assets worth
3 \$100 million and has liabilities of \$10 million, the investment company's NAV will
be a \$90
4 million. Because an investment company's assets and liabilities change daily, NAV
will also
5 change daily. NAV might be \$90 million one day, \$100 million the next, and \$80
million the day
6 after. Mutual funds and Unit Investment Trusts (UITs) generally must very calculate
their NAV at least
7 once every business day, typically after the major U.S. exchanges close. A closed-
end whose shares generally are not "redeemable" – that is, not required to be repur-
8 chased by the fund,
fund—is not subject to this requirement does.
9 An investment company calculates the NAV of a single share (or the "per share
NAV") by means
10 dividing NAV by the number of shares that are outstanding. For example, if a mutual
fund has to
11 a NAV of \$100 million, and investors own 10,000,000 of the fund's shares, the
fund's per share,
12 NAV will be \$10. Because per share NAV is based on NAV, which changes each
daily, and on the
13 number of shares held by investors, which also changes, per share NAV also will a
change
14 daily. Most mutual funds publish their per share NAVs in the daily newspapers.

VOCABULARY

I. Choose the most proper answer. ONLY ONE answer is correct.

1. An asset is usually purchased, or equivalently a _____ is made in a bank, in hopes of getting a future return or interest from it.
a deposit b payment c investment
2. The _____ is generally divided into industry coverage and product coverage groups.
a PA b UIT c IBD
3. _____ management is the professional management of various securities (shares, bonds, etc.) and other assets (e.g., real estate), to meet specified investment goals for the benefit of the investors.
a Human resource b Project c Investment
4. _____ is responsible for an investment bank's funding, capital structure management, and liquidity risk monitoring.
a Product coverage group b Corporate treasury c Agency service
5. _____ are responsible for an investment bank's daily operations' compliance with government regulations and internal regulations.
a Agency service b Compliance areas c Custody service

LISTENING

I. Fill in the gaps in the text with ONE word in each. Then listen to the recording and check your answers.

Americans Invest for the Future in Mutual Funds

People invest money in the hope their wealth will grow over time. People with a lot of money may have ___1___ to make investments for them. But people with limited savings can invest through ___2___.

A mutual fund is a collection of different ___3___. These include stocks and debt-based investments.

Stock in a company gives the buyer a financial share in that business. The ___4___ may receive a small payment, or dividend, from time to time for each share owned. But the value of stocks can change greatly in a short time.

A debt-based security, like a bond, represents a loan for a set period of time. Companies or governments sell these securities as a way to ___5___ money. Most debt securities pay interest until their period ends, or they reach maturity. After that, the ___6___ is repaid. Mutual funds can invest in stocks, debt securities or a mixture of both. They offer investors a lot of choice. For example, a stock index fund can be designed to match the performance of the whole stock market, investing in thousands of stocks. For as little as one thousand dollars, an ___7___ can own the stock market. Index funds also cost little to own.

On the other hand, trading individual stocks and bonds can be costly. Investment trading companies charge investors to make trades on exchanges like the New York Stock Exchange or NASDAQ. But if a buyer invests only a small amount, the cost of trading can quickly reduce his or her investment gains.

The Investment Company Institute says the average yearly cost of a mutual fund is a little over one percent of the amount invested. And costs continue to drop.

Mutual funds also ___8___ risk. They spread money over hundreds of investments. This limits the harm from a single investment loss. But, even the largest mutual funds still carry some risk. There is no guarantee that a mutual fund will gain or keep its value under bad market ___9___.

Today, there are almost eight thousand mutual funds in the United States. And Americans continue to ___10___ their mutual fund holdings.

About half of all American families own some mutual funds. Their average investment is forty-eight thousand dollars.

3. NEGOTIATIONS

PREPARING TO NEGOTIATE

SPEAKING

I. How important do you think preparing for a negotiation is? How do you / could you prepare for a negotiation?

READING

I. Read this article extract about preparing for a negotiation. Do you agree with what Rupert Mack says? Give your reasons.

Good preparation is key to a successful negotiation, according to Rupert Mack, Head of Management Studies at Denton College.

'Being underprepared can mean you fail to reach agreement with the other party -that's why it's important to spend some time beforehand thinking about what you ideally want to get out of the negotiation, and what you are prepared to accept. Prioritize your aims – what's your main aim? What secondary goals do you have? Are you flexible about what you want to achieve? If you can't achieve your ideal goal, what would be an acceptable end to the negotiation for you – that is, the best alternative to a negotiated agreement (BATNA)?

The next step is to consider the approach you will take – will you negotiate face to face or on the phone? Will you be on your own or as part of a team? What will your role be?

'Also try and find out as much as you can about the person or team you will be negotiating with – who are they? What's their role in the company? What might they want out of the negotiation? And what might their objections be to your proposals? If the other party is from a different culture, think how their way of negotiating might be the same as, or different from, your own. Consider how you might try to build trust and understanding, offer compromises and find common ground – crucial not just for the success of this negotiation but for building a long-term business relationship. 'It can be useful to run through your ideas with a colleague, ask their advice, and so on. If you are negotiating on behalf of others, perhaps a group of colleagues, take time to understand their concerns so that you can accurately represent their views'.

LISTENING

I. Listen to a negotiation between a designer and a retailer and answer these questions.

- 1 How satisfactory was their preparation for the negotiation? Give your reasons.
- 2 How successfully do they negotiate the design fees? Give your reasons.

II. Listen to two colleagues preparing to negotiate and answer these questions.

- 1 What business do the speakers work in?
- 2 Who are they going to negotiate with?
- 3 What is their main aim?
- 4 What else do they hope to achieve in the negotiation?
- 5 What proposals do they consider making?
- 6 What objections might the other party have?
- 7 What offer do they decide to make?

VOCABULARY

I. Jose Oliveira is head of Xania, a Brazilian aircraft manufacturer. He is preparing for negotiations with Zebra, an engine supplier. Match each point (a–f) in Jose's notes with one of the tips (1–6).

- a) Get as much information as possible about the situation. If dealing with people from another culture, find out about its etiquette and negotiating styles: the way people negotiate, what they consider to be acceptable and unacceptable behavior, and so on.
- b) Work out your initial bargaining position: what are your needs and objectives (the things that you want to achieve)? Decide your priorities (the most important objectives).
- c) Try to estimate the needs and objectives of the other side.
- d) Prepare a fallback position: conditions that you will accept if your original objectives are not met.
- e) Perhaps you are in a position to influence the choice of venue: the place where you are going to meet. If so, would you prefer to:
 - be on your own ground / on home ground (in your own offices)
 - go to see the other side on their ground (in their offices)
 - meet on neutral ground, for example, in a hotel?

f) If you are negotiating as part of a negotiating team, consult your colleagues about points **a** to **e**, and allocate roles and responsibilities.

- 1 organize preparatory meeting with head of manufacturing and head of purchasing to discuss strategy
- 2 persuade Zebra representatives to come to our offices in São Paulo
- 3 principal objective: delivery of first 20 engines in six months; other objectives: flexible payment, strong quality guarantees; price less important, but aim for US\$500,000 per engine; find out more about Zebra's priorities
- 4 rumour says that Zebra are in financial difficulty: they badly need orders
- 5 will accept price up to US\$550,000 if specifications are good
- 6 Zebra well-known in the industry for its 'strong' negotiating techniques

II.

Negotiating scenario

At the beginning of a negotiation, follow these steps:



Meet and greet **representatives** of the other company and introduce your colleagues.



Have a clear **agenda** and a **timetable**.



Offer coffee and **small talk**.
Try to create a **relaxed** atmosphere.



First, give the **background** to the negotiations. Talking about the situation is a good way of reminding people of key facts and issues.



Go to the meeting room and suggest that you **get down to business**.



Then **kick off** the negotiations themselves, perhaps by finding out more about the priorities of the other side (the things they think are most important) or talking about your own requirements.

Look at the steps above. Arrange these phrases Jose uses at the beginning of the negotiation in the correct order.

- 1 As you all probably know, Mr Watanabe and I met at the Aerospace Trade Fair in Frankfurt last year, and we had a very interesting discussion about the possibility of our two companies working together.
- 2 I believe you're flying back on Friday evening, so that gives us three days. I think two days should be enough to cover all the points. On the third day, Friday, if we have an agreement, I'll ask our lawyers to finalize conditions for the contract with you.
- 3 Mr Watanabe, good to see you again. How are you? Let me introduce my colleagues: Sandra Lisboa, our chief purchasing officer, and this is Fernando dos Santos, head of production at Xania.
- 4 Shall we go to the conference room and make a start?
- 5 Well we've looked at the potential market for our new plane, and it looks as if we will need 100 engines over the next three years.
- 6 Would you like some coffee or tea, or would you prefer juice? How was the flight?

SPEAKING

I

Negotiating styles

When you're negotiating with people from other cultures, it's important to think about what they consider as 'normal' behavior. You'll need to think about the following:

- body language
- conversational rules
- hierarchy
- physical contact
- relationship building
- attitudes to time

Mr A is in another country in order to try and get a multi-million dollar order from Mr B and his assistant, Mr C. Put each problem that occurs in their meeting under one or more of the headings above.

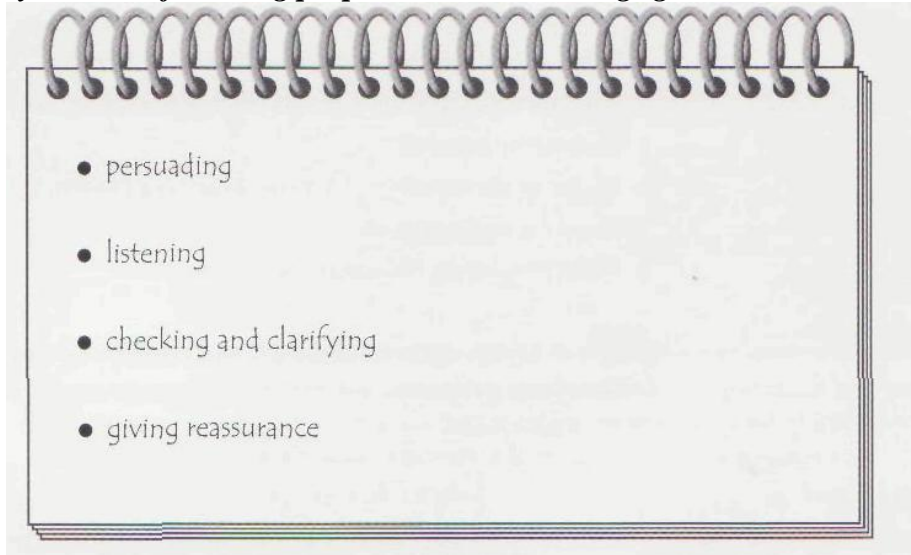
- 1 Mr A wanted to start the negotiations immediately, but Mr B suggested a sightseeing tour of the city and a game of golf the next day.
- 2 Mr B started asking Mr A about his wife, home and family.
- 3 When Mr C made an important point, Mr A was silent for two minutes before replying. This made Mr C very nervous.
- 4 When talking, Mr B looked directly at Mr A and his two assistants in turn, giving them equal attention. Mr A started to look annoyed.
- 5 During a break for coffee, Mr B put his arm around Mr A's shoulders in order to be friendly.
- 6 When Mr A was talking, Mr C frequently interrupted him.

II. What are the normal social 'rules' in your country in the context of a buyer-customer negotiation?

REACHING AGREEMENT

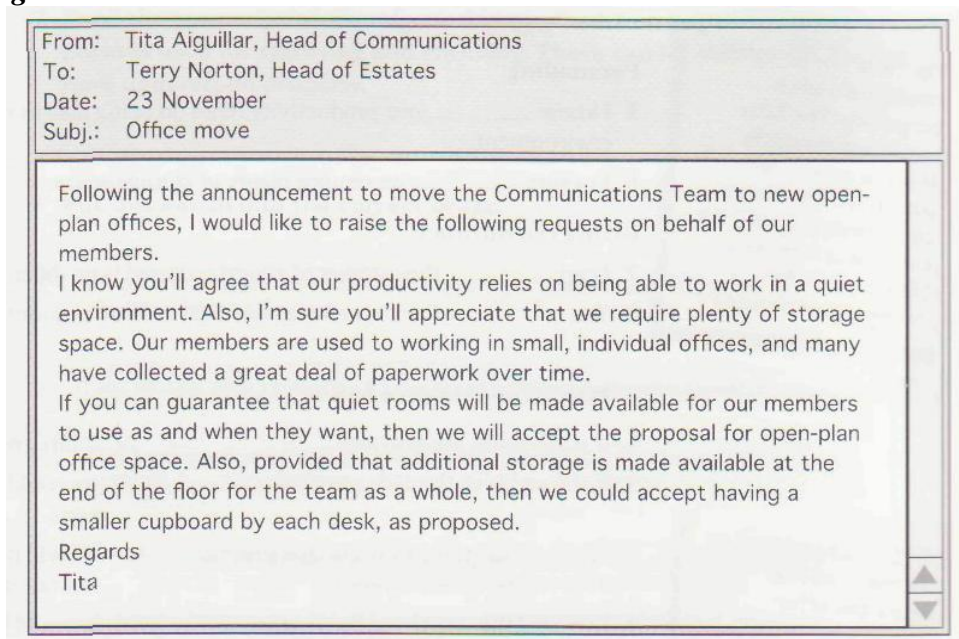
LISTENING

I. Listen to an experienced negotiator speak about reaching agreement. Make notes on what he says about influencing people under the headings given.



READING

I. Read the e-mail below from the Head of Communications to the management of Imagewise, a large PR agency, concerning the proposed move to new offices. Which of the following are mentioned?



1. Need a quiet working environment
2. Need catering facilities
3. Need new computing equipment
4. Need a lot of storage space
5. Need additional lighting

II. Read the e-mail again and listen to the negotiation. Complete these phrases.

Bargaining

1. If you _____ quiet rooms will be made available, then we will _____ for open-plan office space.
2. _____ additional storage is made available _____ accept having a smaller cupboard.
3. _____ put in phone lines and Internet access to all rooms, _____ use any as a meeting room.
4. _____ provide additional storage somewhere on the floor, then _____ to manage with a small cupboard.

Persuading

5. I know _____ our productivity relies on being able to work in a quiet environment.
6. I'm sure _____ we require plenty of storage space.

Giving reassurance

7. I can _____ the number of rooms required is no different to the agreed plans.
8. You _____ your department has the standard amount of storage.

III. Match the sentence halves.

- | | |
|---|--|
| 1 If small desks are provided, | A if lifts and ramps were provided. |
| 2 If the width of the aisle were reduced, | B we could use it as a hot-desk area. |
| 3 Members of staff located on the ground floor will be disadvantaged | C we will need extra surfaces for laying out our designs. |
| 4 Provided that overhead lighting is | D it would be a fire hazard. |
| 5 Disabled members of staff and visitors have easy access throughout the building | E if all the meeting rooms are located on the first floor only. |

VOCABULARY

1. Complete the sentences below with the verbs from the box.

can start continue moved shared will become would use

- 1 If we _____ from an open-plan area to individual offices, we would need more floor space, which would be too expensive.
- 2 If management _____ our open-plan area, they would realize how noisy and consequently unproductive it can be.
- 3 If the packing crates are delivered next week, we _____ emptying our cupboards for the move the following week.
- 4 Staff _____ restless if the office move is postponed again. They were frustrated by the initial delay.
- 5 More people _____ public transport when travelling to and from work if bus stops were located nearby.
- 6 If a hot-desk area is provided, staff can _____ to work while their computers are set up at their new desks.

LISTENING

1. Listen to these statements. What does the speaker really mean?

- 1 A. Dust and noise will definitely be minimized.
B. Dust and noise might be minimized.
- 2 A. Research work definitely won't be delayed.
B. Research work hopefully won't be delayed.
- 3 A. Staff will definitely have the amount of storage space they need.
B. Staff should have the amount of storage space they need.

VOCABULARY

I. Look at the words in the text and say if these statements are true or false.

Deadlock and mediators

BASEBALL STRIKE IN BASELAND

Every year in Baseland there are negotiations between the baseball players' union and the baseball team owners about pay and conditions for the coming season. Last year, after months of negotiations, there was **deadlock**: the negotiations **broke down**. Some commentators said there was **stalemate**; an **impasse**: a situation where no progress could be made. There were **irreconcilable differences** between the two sides and it was impossible to reach an agreement. The baseball players went on strike.

The two sides agreed to bring in a **mediator**, someone from outside to help restart the negotiations

and bring the two sides closer together in a process of **mediation**. The person they chose was a respected retired politician. He recommended a **cooling-off period** where each side would take no action. The players ended their strike for the time being.

Another month passed, and still there was no progress. The two sides agreed to accept an agreement imposed by an **arbitrator**. A judge was chosen. She looked at the claims of each side and imposed a **settlement** or **resolution** to the dispute, fixing the salaries and the working conditions of the players. In this case, **arbitration** had settled the dispute.

- 1 Someone who helps two sides to reach an agreement is an arbitrator.
- 2 If two sides in a dispute use arbitration, no outsiders are involved.
- 3 It's not usual for mediators to impose agreements.
- 4 If you're in an impasse, you think that progress is possible.
- 5 If negotiations break down, they stop.
- 6 Irreconcilable differences are not important.
- 7 If the two sides agree on a cooling-off period of one week, negotiations continue the next day.

II. Agreements and contracts

An agreement of any kind is a **deal**. When you reach an agreement, you can talk about **clinching a deal** or **closing a deal**.

A **bargain** is also an agreement reached through negotiation. People who get what they want in a negotiation are said to **drive a hard bargain**.

An agreement may be in the form of a **contract**.

'Contract' is used in these combinations:

A/An	}	employment labour (BrE) labor (AmE)	} contract	is about what someone has to do in their job, or about what a particular group of employees have to do.
		oral / verbal		is not written down.
		binding legal		forces both sides to carry out the actions that they had promised to carry out, by law.
		commercial		is about buying or selling a product

Complete these extracts using word combinations given above.

1 Buyer and seller enter into a legally contract once an offer has been accepted.

2 DAF is bidding for a contract to supply trucks to the British army.

3 If two people have agreed on something and signed a sheet of paper, is that a contract?

4 Peters claimed that Schaffer was only an employee in his company, but Schaffer asserted that an unwritten, contract made them partners.

5 She had an contract due to expire later in the year and wanted to take time off work to have children.

III. Checking the deal

It's important to check the points of an agreement to avoid misunderstandings. You could say:

- **Let me just go/run over** (repeat and summarize) the main points.
- On A, we agreed that ...
- As **far as B is** concerned (in relation to B), we agreed ...
- We **still have the question of C to settle** (decide and agree on).
- And there's still the **outstanding** (remaining undecided) **issue** of D.



- We'll send you a **written proposal**.
- We'll **draw up** (write) a contract based on those points.
- **I think that covers everything.**

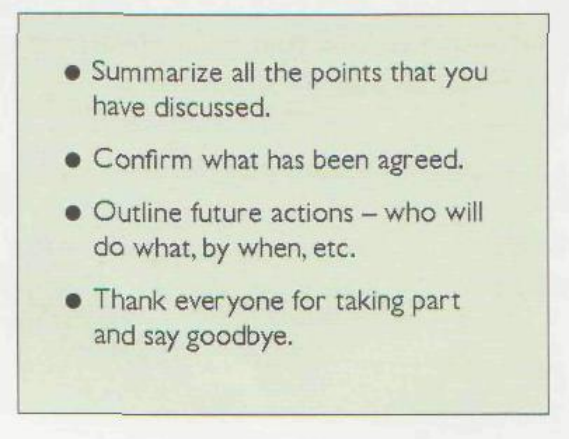
The Xania-Zebra negotiations are ending. Arrange the phrases Jose uses to close negotiations in the correct order.

- 1 Let me just run over the main points. On engine quantities,
- 2 I think that covers everything.
- 3 If you agree to the proposal, we'll draw up a contract based on those points.
- 4 payment to settle, and there is also still the outstanding issue of documentation.
- 5 we agreed that you would improve the power of the engine by ten per cent.
- 6 we agreed that you would supply us with 120 units over four years. As far as performance is concerned,
- 7 We still have the question of the currency for
- 8 We'll send you a written proposal on these last two issues.

CONCLUDING THE DEAL

SPEAKING

I. Look at these tips for ending a negotiation effectively. Do you agree with the advice? What other advice would you give?

- 
- Summarize all the points that you have discussed.
 - Confirm what has been agreed.
 - Outline future actions – who will do what, by when, etc.
 - Thank everyone for taking part and say goodbye.

LISTENING

I. Emily Schmidt, a conference organizer, is coming to the end of her negotiation with a soft drinks supplier. Listen and decide if these statements are true or false.

- 1 Emily has ordered over 400 bottles of mineral water.
- 2 The supplier will deliver the order to the conference venue.
- 3 Emily will pay the supplier by the end of the month.
- 4 Emily and the supplier still need to discuss the details of the delivery.

II. Here are some useful phrases for concluding a negotiation. Listen again and tick which phrase in each pair is used.

- 1 a Perhaps I could just summarize what we've agreed?
- b Can I just go over what we've agreed?
- 2 a Do you have anything to add?
- b Have I missed anything out?
- 3 a One point we need to agree is a suitable delivery time.
- b As agreed, we will contact you about a suitable delivery time.
- 4 a I look forward to speaking to you again then. Bye.
- b Thank you – and goodbye.

VOCABULARY

1. Put the phrases from the previous in the correct place in the table.

Summarizing	Confirming agreement / Responding	Outlining future action	Thanking / Saying goodbye

VOCABULARY

1. Confrontation

Sometimes one side is in a stronger position than the other: they have more **bargaining power**. For example, during a recent strike at Lamda Inc., the company was in financial difficulty and the public was on the workers' side, so Lamda was **negotiating from weakness**. The strikers' union knew this: they were **negotiating from strength**.

The union made **demands**: objectives that were so important that they were unwilling to change them. They wanted a 15 per cent pay increase. Later they **moderated** these demands, and said they would accept ten per cent. However, their demand for a week's extra holiday was **non-negotiable**: they would not accept less.

Lamda said they were being forced to accept something that they did not want. They accused the union of making them negotiate **under duress**.

Eventually Lamda **conceded** to most of the union's demands and gave them what they wanted. The media said that Lamda had **backed down, climbed down** and **given in**.

The feelings had been very strong on each side: the **dispute was bitter**, and the negotiations were **confrontational** and **adversarial**.

Which expression best describes each of these statements about a miner's strike? Sometimes there is more than one possible answer.

1 Of course, the company had enormous stocks of coal that had already been produced but not sold and it suited them if there was no more production for six months.

2 The union were not in a good position. Apart from the enormous coal stocks, there are thousands of people already out of work.

3 In the beginning, the union said they wanted a pay increase of 100 per cent, and nothing less was acceptable, but later they realized this was unrealistic, and said they would accept less.

4 Eventually the miners went back to work. The strike had produced nothing for them.

5 Of course, the mining company had been very aggressive towards the miners.

II. Confrontational negotiating tactics

Although using **tricks** isn't recommended, there are negotiators who:

■ issue **threats, final offers** or **ultimatums**: they say that the other side must accept something, with very bad consequences for them if they refuse.

■ lie and **bluff**: they threaten to do something that they do not intend to do, or are not able to do.

Of course, you can always **call someone's bluff**: pretend to believe them, when you know they are bluffing.

Match the sentence beginnings (1–5) with the correct endings (a–e). The sentences all contain expressions from above.

- | | | | |
|---|--|---|---|
| 1 | Boeing offered the idea of a 600-plus seat jet to airlines last autumn. | a | for example, allowing only whole chickens to be imported, not chicken parts. |
| 2 | The country's trade negotiators are trying all sorts of tricks to protect their farmers, | b | But European plane industry executives are convinced that Boeing is bluffing. |
| 3 | The TV presenter gave his bosses an ultimatum that he would leave the show | c | the last one being £28,000 to each docker involved in the dispute. |
| 4 | The company said they would fire all of us if we didn't accept the deal | d | if Miss Taylor was allowed to stay as co-presenter. |
| 5 | Over the past two years, Mersey Docks has made a number of 'final' offers, | e | but we called their bluff – we refused and six months later we still have our jobs! |

III. Dealing with problems

Jose Oliveira is trying to deal with some problems in the Xania-Zebra negotiations. Match the expressions (1–5) with the points (a–e).

When negotiations get stuck and don't progress, there are a number of things you can do.

a Underline common ground: the areas where agreement has been reached.

b Reassure the other side on key points that have been decided: confirm that you have not changed your mind.

c Be willing to compromise on your original objectives: be ready to accept less than you wanted in exchange for compromises from the other side.

d Identify the exact obstacles or sticking points: the problems that are causing negotiations to become difficult.

e Postpone discussions until later so that each side can **reconsider its position**.

1 With currency values changing so quickly, you want to think further about the currency you want to be paid in.

2 If you can increase the performance of the type of engine we're interested in, we may be willing to pay a little more.

3 Well, the currency for payment would seem to be the problem here.

4 We've reached agreement on the number of engines you are willing to buy, and that's very positive.

5 We've definitely reached a consensus on price – that much at least is agreed.

4. BUSINESS CORRESPONDENCE

FORMAL STYLE

In a business / office environment, we often use 'formal' words, especially in our written English (letters, reports, contracts, etc). For example, instead of 'asked for advice', we might use 'consulted'.

*We **asked** our accountant **for advice** about our tax.*

becomes:

*We **consulted** our accountant about our tax.*

These 'formal' words are often verbs.

VOCABULARY

1. Change the 'neutral' verbs and expressions in bold in sentences 1–15 to more 'formal' words using the verbs / expressions in the box. Each sentence requires only one word or expression. In most cases, you will need to change the form of the verb.

address	adjourn	adjust	administer	admonish	analyse	annul	appeal to
	appoint	assess at	assign	audit	avert	await	award

1. We need to **examine in detail** the market potential of these new products.
2. The value of the business was **calculated to be** £5 million.
3. The management increased their offer in the hope of **stopping** the strike **happening**.
4. It will be the HR manager's job to **organize** the induction program.
5. He was **given** the job of checking the sales figures.
6. The contract was **cancelled** by the court.
7. Our accountants have been asked to **examine** the accounts for the last quarter.
8. When he was dismissed, he **asked** his union **for support**.
9. The chairman **spoke to** the sales team.
10. At the meeting it was decided to **give** middle management a salary increase.
11. Following a breach of safety procedures, the workers were **told off** by their manager.
12. We are **waiting for** the decision of the planning department.
13. Prices will be **changed** according to the current rate of inflation.
14. The chairman **stopped** the meeting until 3 o'clock.
15. We have **chosen** a new distribution manager.

II. Instructions as above.

advise	amalgamate	assist	assure	attempt	attend	dismiss	elect
engage	license	present	sequester	settle	tender	waive	

1. The chairman has asked all managers to **come to** the meeting.
2. We have been **told** that the shipment will arrive next week.
3. Can you **help** me with these income tax returns?
4. The different unions have **joined together to make one main union**.
5. We will **try** to deliver within the next few days.
6. They have **promised** us that the delivery will be made on time.
7. The union has had its funds **taken away by order of the courts**.
8. The insurance company refused to **pay** his claim for storm damage.
9. After a lot of thought, he decided to **hand in** his resignation.
10. The court **refused to accept** his claim for compensation.
11. If we increase production, we will need to **take on** more staff.
12. He has **given up** his right to early retirement.
13. The HR director will **talk about** the new staff structure to the Board.
14. He **chose** to take early retirement.
15. The company has been **given formal permission** to sell spare parts.

III. In this exercise, the words you need to replace those in bold are in brackets at the end of each sentence. Although they are in their correct form (e.g., the tense is correct), the letters are in the wrong order. Rearrange these letters to make words and write them in the appropriate space in the grid below. If you do this correctly, you will reveal a word in the vertical strip that can be used to replace the word in bold in number 13.

To help you, some of the letters are in their correct space in the grid.

1. The management agreed to measures to **keep** experienced staff **in the company**.
(ntreia)
2. Candidates are asked to **state clearly** which of the posts they are applying for. (fesiypc)
3. We closed the design department and **moved** the workforce **to another department**.
(edeepldory)
4. We **asked** our accountant **for advice** about our tax. (tecsldonu)
5. The union has **agreed** not to call a strike without further negotiation. (duanrtnkee)

6. The union demanded that the sacked workers should be **allowed to return to the jobs from which they were dismissed**. (stindatere)
7. We are **trying to find out about** the background of the new supplier. (unnirigiq)
(note that before '*the background*', you must also add '*into*')
8. The management **agreed** to the union's proposals. (tenscoden)
9. The management were **formally told** of the union's decision. (fotneiid)
10. The sales people were **told** about the new product **in detail**. (ierdfeb)
11. The chairman **gave a general description** of the company's plans for the coming year. (lioedtnu)
12. Her job has been **increased in importance** to senior manager level. (egupdrad)
13. The company is **sharing** production costs according to projected revenue.

1.				E				N				
2.							E				Y	
3.		R							Y			
4.					C			S				
5.			N							E		
6.					S		A					
7.				Q						G		
8.					C			S				
9.									I		E	
10.				B				F				
11.			T					D				
12.					P		R					

WRITING E-MAILS, MEMOS AND NOTES

SPEAKING

I. Discuss these questions in small groups.

- 1 Which of the methods in the box below do you use most often for communicating with colleagues?
- 2 Does your choice depend on ...
 - who you are communicating with?
 - the purpose of the communication?
 - something else?

e-mail	one-to-one interview	memo
meeting	handwritten note	notice on the notice board
suggestion box	article in the in-house magazine	
informal chat	phone call	

II. What methods from Exercise 1 would you use to communicate in each of the following situations inside a company?

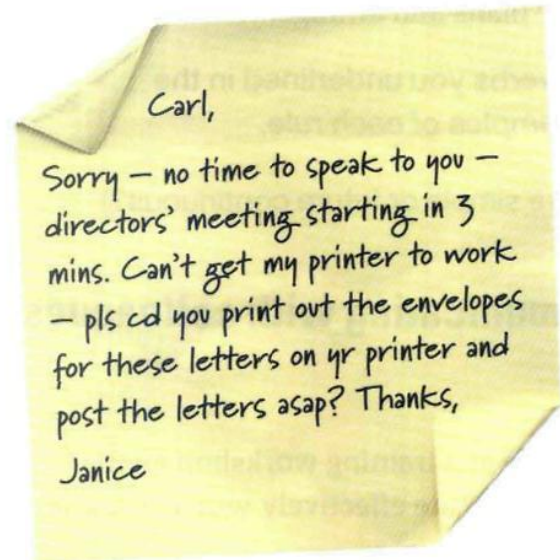
- 1 Informing office staff of a visit by senior managers (you are the office manager).
- 2 Reminding staff about the annual meeting to discuss the sales budget and sales targets next Wednesday morning.
- 3 Asking for staff suggestions on ways in which production could be streamlined.
- 4 Informing a manager that his present job is being transferred to another office in another city (you are the human resources director).
- 5 Communicating the need for better timekeeping to unpunctual staff (you are the team leader).
- 6 Informing staff about changes in the way they will work (you are the managing director).
- 7 Asking your assistant to address envelopes and send letters (he's out at the moment and when he comes back, you'll be in a meeting).

READING

1. Read the four internal messages (a memo, an e-mail, a note and a notice). Decide which of these statements (1–8) refers to which message (A–D).

- 1 Could you deal with this urgently?
- 2 Employees can arrange how they want to put this change into effect.
- 3 I realize my colleagues are making a considerable effort.
- 4 I've got a technical problem.
- 5 It's important to keep costs within the agreed limits.
- 6 This is where you can find further information.
- 7 We want to be able to check the types of problems our clients are having.
- 8 Working practices will undergo some re-organization.

C note



A memo

Memo

To: New Product Development Team
From: Max Fauré
Subject: Timekeeping

Dear all,

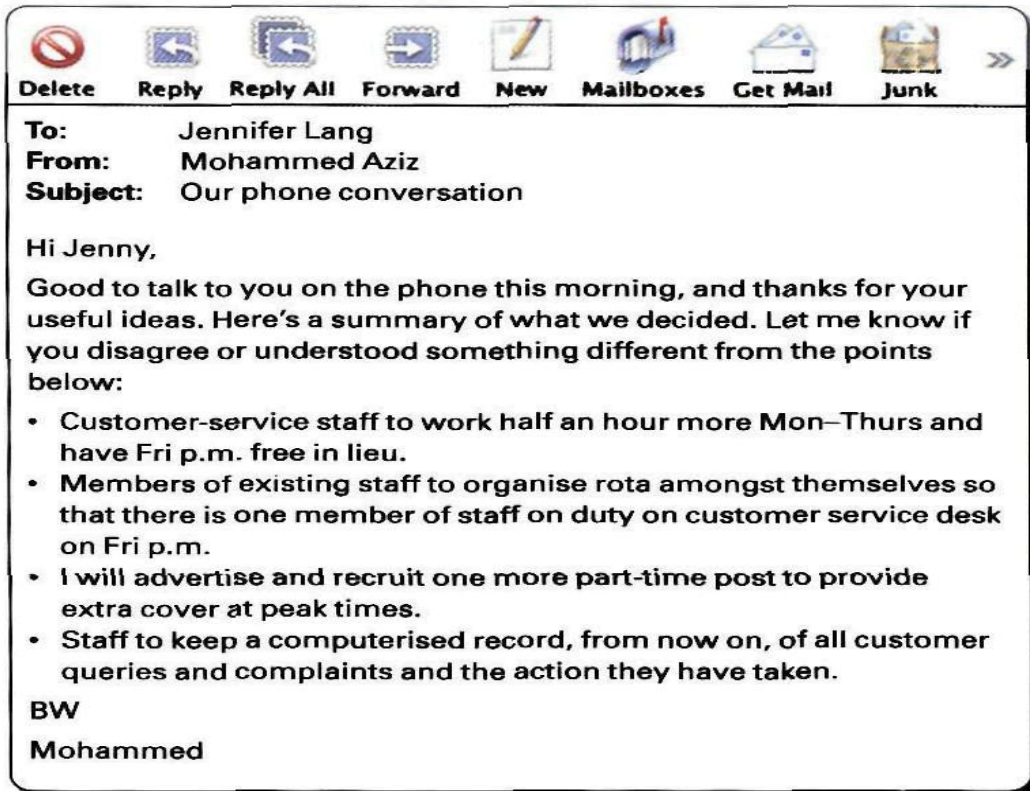
I've noticed in the last few weeks that a number of team members have been arriving late for work and, as a result, arriving late for our daily team meetings. This unfortunately means that:

- the meetings themselves start late and as a consequence, we don't have time for all the items on the agenda
- valuable time is wasted while latecomers are updated on discussions and decisions.

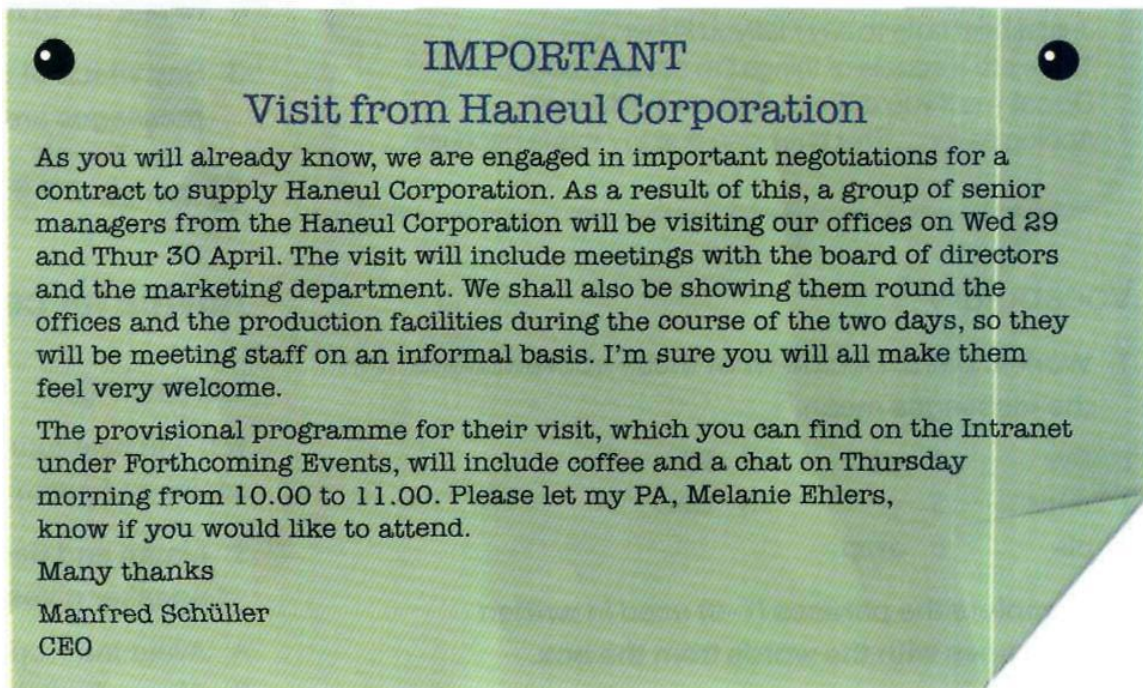
I'm very aware of the hard work and long hours you are all putting in on this project, so, rather than speaking to the individuals concerned, I would ask you all to please make an extra effort with timekeeping. This will help to ensure that the project finishes on time and within budget.

Many thanks,
Max

B email



D notice



II. Work in pairs. Read these statements (1–7) about the style and match them to the messages (A–D). Some statements refer to more than one message.

- 1 None of these messages is written in a very formal style, but this is the most formal.
...D....
- 2 Some of the sentences in these messages are not complete sentences.
- 3 There are some abbreviations in these messages.
- 4 These messages use bullet points.
- 5 This is the only message which does not have a subject heading.
- 6 This message contains informal punctuation.
- 7 This type of message does not need to be addressed to anyone.

WRITING

I. Work in pairs. Choose one of these tasks (1–4). Decide what would be the most appropriate format for your message (memo, e-mail, note or notice) and write your reply together.

- 1 Reply to the memo. Apologize for your poor time-keeping and explain the reasons for it (e.g., heavy traffic). Suggest team meetings be held later.
- 2 You are Jenny: reply to the e-mail – there are two points you think are not exactly what was agreed. Point these out to Mohammed.
- 3 You are Carl: reply to the note – you printed out the envelopes, but haven't posted the letters. Give a reason. Also, the technician has fixed her printer. Say what was wrong.
- 4 Reply to the notice. You want to go to the coffee and chat (give a reason). Ask if this is possible.

Exchange your message with another pair of students. Discuss how the messages could be improved.

DESCRIBING GRAPHS AND CHARTS

VOCABULARY

I. Often in academic writing, students will use information and facts presented in charts and graphs to support the topic sentence of their paragraph. Often, the data presented in a graph or table show change over time. There are specific verbs, adjectives and adverbs that can help you describe these changes. For example:

Verbs for describing how data have changed:

- to increase
- to go up
- to rise
- to climb
- to remain (unchanged)
- to be steady
- to plateau
- to decrease
- to go down
- to decline
- to drop

Adjectives and adverbs to describe how fast the change occurred:

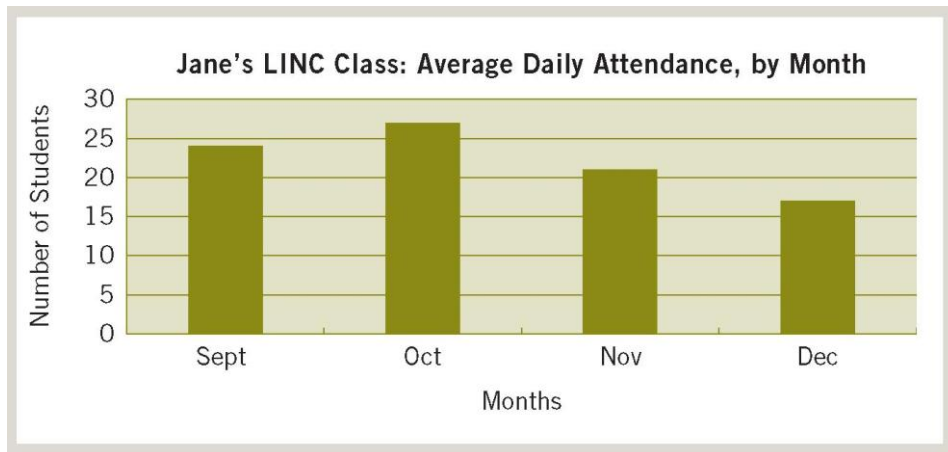
- sharp
- dramatic
- significant
- steady
- gradual
- slight
- sharply
- dramatically
- significantly

You can describe the changes presented in the graph in two ways:

From October to December, attendance decreased steadily.

or

From October to December, there was a steady decrease in attendance

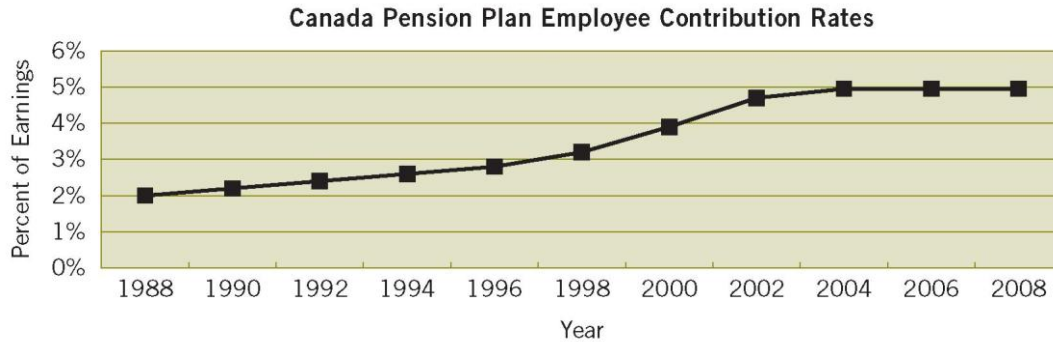


II. Write a paragraph to describe the bar graph above. Write three details to support the topic sentence. Topic sentence:

Average attendance in Jane's LINC class followed a distinct pattern over time.

WRITING

I. Examine the graph below. Complete the paragraph that follows with appropriate supporting details.



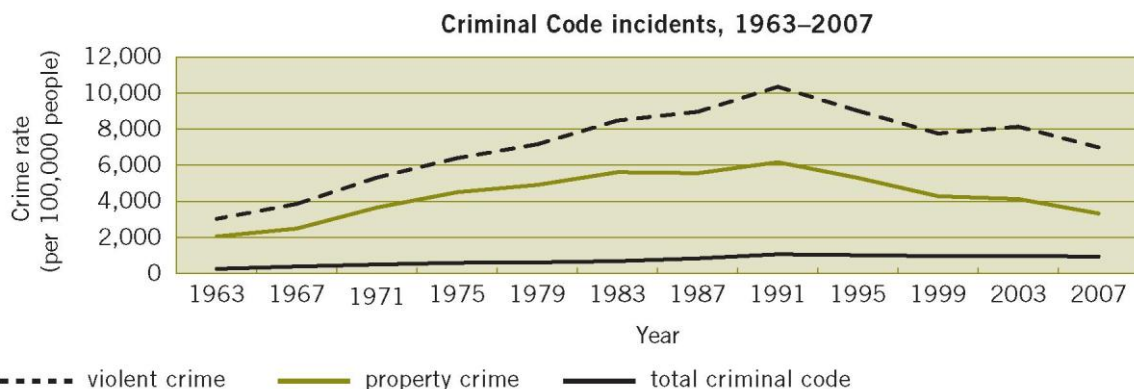
Data Source: Canada Revenue Agency

The Canada Pension Plan (CPP) is one of Canada's retirement income pension plans. It provides a monthly income to people (who contributed during their working years) when they become disabled or retire. Every person over 18 who earns more than about \$3,500 a year contributes to the CPP, usually through paycheque deductions.

Employees contribute about 4.5 per cent of their employment earnings to the CPP, but the contribution rate was not always this high.

II. Write a paragraph to describe the graph below. Begin with the provided topic sentence and prompts and indicate possible reasons for the highs and lows in your supporting details.

The crime rate has changed significantly over the past 45 years.



Data Source: Statistics Canada. Total criminal code refers to crimes addressed by criminal law and excludes traffic offences.

WRITING A REPORT

VOCABULARY

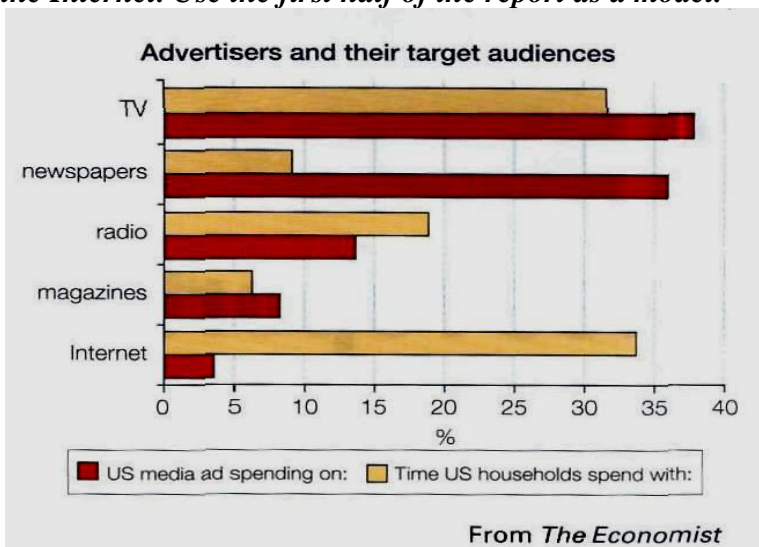
I. 1. Your manager has asked you to research how advertisers reach their target audiences. You have found the information in the chart on the right. Work in pairs. Study the chart and discuss what it shows.

2. Read the first half of a report based on the information in the chart. Write one word in each of the gaps.

As the chart shows, there is a disparity **1** *between* the quantity US advertisers spend on advertising in **2** of the main media and US consumers' use of the media.

While advertisers spend 38% of their budget on television advertising, US households nowadays spend only 32% of **3** time watching television. The difference between advertising spending and consumption of newspapers is **4** more accentuated, **5** advertising taking up 36% of the budget, although people **6** an average of just 9% of their time reading them.

III. Complete the report with information from the chart about magazines, radio and the Internet. Use the first half of the report as a model.



READING

I. Recently, Software Solutions invited 145 of its clients to a sales event in Seville, Spain. Software Solutions' marketing director asked Mehtar Tilak to write a report on the Seville Sales Event.

1 Discuss these questions in pairs.

- **What are the advantages of sales events for the company which holds them?**
- **How are they different from conferences or trade fairs?**

2 Scan the report to find out a) if the event was successful or not, and b) what outcomes and reactions there have been to the event

SOFTWARE SOLUTIONS **REPORT ON SEVILLE SALES EVENT**

Introduction
The purpose of this report is to **1** the success of the Seville Sales Event and to make recommendations for how future events of this nature are organised.

The Seville Event
One hundred and forty-five key clients from a range of European industries were invited to the España Hotel, Seville on 6th and 7th January at our company's **2** for a range of demonstrations of our new software packages. Also, talks were given by a number of expert guest speakers. During the event, the **3** were given the opportunity to network and share experiences with our software, and at the same time, we took the opportunity to obtain feedback on our products.

Sales
The event was highly successful. The initial investment of £550,000 **4** in immediate orders of £1.6m of software, and we have achieved a further £2.2m in sales in the **5** four weeks.

Feedback
Comments from clients have **6** a need for payroll and accounting software which allows companies to calculate their tax liabilities more easily over a number of EU countries. Several clients expressed a reluctance to invest in our CRM software, which was thought to be more **7** to the US market.

Conclusions and recommendations
Guests stated that they would be **8** for this event to be repeated in two years' time. It was also suggested that more informal presentations could be given by **9** clients speaking from their own knowledge and experience. Moreover, several clients requested that the next such event be held in a more central European venue, thereby **10** most clients' journey times.

II. Read the report again and for each gap choose the best word, A, B, C or D.

- | | | | |
|----------------|--------------|-------------------|-------------|
| 1 A value | B evaluate | C appraise | D estimate |
| 2 A expense | B cost | C outlay | D charge |
| 3 A assistants | B attendants | C representatives | D delegates |
| 4 A ended | B finalized | C resulted | D closed |
| 5 A latest | B subsequent | C past | D coming |
| 6 A revealed | B disclosed | C demonstrated | D uncovered |
| 7 A matched | B adapted | C linked | D suited |

- 8 A interested B enthusiastic C keen D excited
9 A single B individual C sole D only
10 A declining B dropping C reducing D falling

WRITING

I. The company you work for has recently held a sales event to launch a new product. Your managing director has asked you to write a report on the effectiveness of the event, including the following points:

- who was invited to the event*
- what guests' reactions were*
- how successful the event was*
- what recommendations you would make for future sales events of this kind.*

Discuss these questions in small groups.

- 1 What would be a suitable new product to choose for this writing task?*
- 2 What sorts of activities are held at new product launches? Brainstorm ideas.*
- 3 What sections/section headings would be suitable for this report?*
- 4 Who will read the report? What style would be suitable for this reader?*

II. Work alone and write the report.

TAPESCRIPTS

THE FINANCIAL ENVIRONMENT

II. In the current climate of credit crunch, Britain's banks have been warned by the Financial Reporting Council that their balance sheets will be carefully scrutinized in future. The FRC is concerned that major financial institutions may attempt to hide the worst effects of the credit crunch. Auditors have also been warned to take extra care when checking the accounts of banks and other finance companies, before giving them a clean bill of health. Of course, such warnings follow the global credit crunch, which has caused some of the world's largest banks to write off billions of pounds of assets. Investment banks UBS and Citigroup have sought billions in extra funds from the Middle East and Asia to strengthen their balance sheets. And we are all too familiar with the 25-billion-pound Bank of England rescue package for Northern Rock.

The FRC, which monitors company reporting and regulates the audit industry, has stressed that credit market conditions mean that the risks to confidence in corporate reporting and governance are higher than they have been for several years. The watchdog also stated that increased risks require additional diligence.

BONDS

TAPESCRIPPT

Richard Mahoney Generally speaking, bonds are obligations that are issued by companies and governments that are in essence promises to pay individuals or other investors — providers of funds — and they generally provide for a fixed rate of interest, that is a fixed repayment schedule, and a date in the future at which the money will be returned. They're different, for example, from stocks, which have an uncertain future pay-off, depending on a company's performance, and no final maturity date, so long as the company remains active and solvent.

Interviewer What's J. P. Morgan's role in the bond market? Are you organizing the sale of bonds on behalf of companies, or are you also buying bonds on behalf of investors?

Richard Mahoney J. P. Morgan has many roles in the bond market. We work with companies and governments to help them issue bonds, that is borrow money for their purposes. We also have many investor clients who are purchasing bonds for their own investment portfolios, and those investor clients would be individuals, they would also be pension funds who make investments on behalf of their members for their retirement monies. They would also be mutual funds which, in the United States, have become a very popular form of investment for individuals and constitute a very large source of savings in the country.

Interviewer For investors, what are the advantages of bonds as opposed to other ways of investing money?

Richard Mahoney For investors, bonds represent an investment that, generally speaking, carries a moderate degree of risk. And investors like to hold a diversified portfolio of investments, some with very very low risks, for example, government securities, where the risk of non-payment or default is very very low, whereas other parts of their portfolios would be considered much higher risk, namely investments in stocks, so bonds provide, generally speaking, a more moderately.. .an asset that has a moderate level of risk, although there are some bonds that are more, more safe than others, and that depends on the quality of the issuer. Investors can obtain a return on their bond investments by holding them to maturity. These investors are usually characterized as long-term investors or buy-and-hold investors, and they would receive their return over time by receiving periodic interest payments, usually twice a year, in most structures, and then upon the maturity of the bond, getting their principal back. The advantages of trading bonds for an investor, and how an investor would realize their gains is through the price appreciation that may accrue to a bond during the time at which.. .the time during which the investor would hold it. For example, the price of a bond is directly related to the level of interest rates in the economy.

If I could use a simple example, if you purchased a bond today, that bond, let's say, would have a price of one hundred. Bonds are denominated based on values of one hundred. If interest rates were to increase, that means that the investor community demands a higher price for lending their money. As a result the amount that you could invest a dollar today would yield a higher return than the value yesterday. Meaning that the bond you bought yesterday is worth slightly less, so perhaps it's worth ninety-nine. If you were to sell that bond you would then have lost one point.

On the other hand, however, if interest rates fall, the value of that bond that you purchased yesterday increases. So that an investor over time may realize that invest.. .that bonds that were purchased today have a higher value, as a result of how interest rates have moved. They could be sold, that capital gain is similar to the gain that you would see from a share investment or a real estate investment or other things, and would be added to whatever interest you had earned over the life of holding that bond.

LISTENING

II.

Richard Mahoney **Floating rate notes** have... become quite popular as interest rates around the world were deregulated. There was a time in the banking system when interest rates were regulated at fixed levels and most people chose to borrow at a fixed rate of interest. Today we have many options that a borrower can choose for the way in which they will raise money. One of them is through a floating rate note, and like its name suggests, the interest rate on that bond is variable. It is usually indexed to a particular reference rate, such as the prime rate, which varies from time to time, or something called LIBOR, which is the London Inter-Bank Offered Rate, so that a holder of those notes would see the interest that they received vary over time, depending on the levels of interest rates in the market place.

A **convertible bond** is a type of bond that has features of both a traditional bond, as well as a stock. Convertible means that the bond is exchangeable for equity or stock, provided certain conditions are met. When a convertible bond is initially issued, it looks like an ordinary bond, it pays a fixed interest rate, it has a final maturity date, but it also has a feature that permits the holder to redeem it for shares in the borrower, should certain conditions prevail, and normally those conditions are related to the price of the company's equity, the general level of interest rates.

Junk bonds are simply another name, the popular name if you will, for high yield securities. They are the bonds that are issued by companies that are seen to have a very high risk of default. You can think of the securities issued by the US Treasury, the US government, as being at the other end of the risk spectrum, seen as virtually immune from the risk of default. Junk bonds are at the other end of the risk spectrum, where there is seen a considerable chance of default, but as a result, investors are paid a premium to hold those securities because of their risk.

LISTENING

I.

Lillian Chew If you can't measure it, you can't manage it; if you can't manage it, you can't control it; if you can't control it, you don't do it; and that's the key message coming out from some of these very high profile losses of the last two years. I'm sure that banks are as much to blame, but I think so are the end-users, in taking on risks that they just didn't understand, or misusing these derivatives for some of their own aims.

There's nothing wrong in taking on these risks if you understand them, but I think derivatives have been misused, and they have features that allow themselves to be misused.

I think both the P&G and Gibson cases show clearly that management did not have a clear policy on derivative usage, or maybe I should clarify that statement. We all know that derivative usage falls into two main categories – «hedging» or to earn investment returns. A firm can use derivatives for both purposes, but the important thing is that the same transaction should not have twin objectives. You should not be hedging and trying to lower the cost of funding and then selling options to take on extra risk.

II.

Lillian Chew If it's a «hedge» you manage it passively, you don't worry too much if rates move against you or in your favour. If it's not a «hedge», if it's to take on, if a derivative is used to take on risk, to increase returns, then it requires a more hands-on management approach. You need stop-loss limits, you need to conduct scenario analysis to see how that transaction behaves under various conditions, you need to conduct sensitivity analysis to see what market conditions they're most sensitive to. And then you have to judge whether the P&L impact of that transaction can be withstood in the firm. Or as in P&G's case whether cost savings generated are worth the open-ended exposure. I think there's also a need for management to give the front line personnel relevant guidelines for all activities.

I think the industry realizes that it has to police itself. I think they realize that if they don't police themselves, the regulators will come on, on them. I think that's why we've seen the framework for voluntary oversight from the SEC-registered companies as well as ISDA's code of conduct, as well as the Bankers' Trust-Federal Reserve sales agreement. I think all these codes of conduct embody the principle that the major risks of a transaction have to be explained to customers, and that sensitivity and scenario analysis are offered unsolicited to customers, and that these analyses should be done as objectively as possible.

III.

Lillian Chew I'll end with the fact that the industry's image has been tarnished is a good thing, I think. I believe that if the high profile losses prod senior management of all our companies to sit up and take a greater and more active interest in how companies use derivatives, that's the best possible thing. It is negligent to leave policy framing of derivative usage to front line managers. Managing derivative risk needs strong corporate governance, from the top, and an understanding of derivatives on the part of senior management. Peter Baring of Barings Bank did not understand derivatives. He does not own a bank any more.

MERGERS AND ACQUISITIONS

LISTENING

I.

Interviewer Mr Pocock, could you just tell me a little about the history of Cambridge Instruments?

Max Pocock Cambridge Instruments was formed more than a hundred years ago. It had a reputation for craftsmanship, for quality but primarily serving the needs of the local university. As the business grew it got very much involved in, in much more the high-tech products, it produced the world's first scanning electron microscope. Pushing back the frontiers brought about some problems. Perhaps the company was not focused on profits enough, and in fact in the late 70s the company was taken into public ownership, was acquired by an entrepreneur and the company went through a very rapid period of growth. In 1990 Cambridge Instruments then merged with Wild-Leitz and the international corporation now known as Leica was formed.

II.

Interviewer And this was definitely a merger rather than a takeover?

Max Pocock I think very much it *was* a merger. In numbers of employees perhaps the Wild-Leitz was six or seven thousand people and the Cambridge Instruments was three or four thousand, but in terms of profitability of Cambridge Instruments was greater than that of Wild-Leitz so I think it was very much a partnership of two equals.

Interviewer So what exactly was the purpose of the merger, of forming this partnership?

Max Pocock I think the prime purpose of the merger was we had two European companies but neither of whom were world players. We were major European players. This particular market that we're now in is very much dominated by Japanese companies like Hitachi. The feeling was that individually neither company would be able to tackle or take on or match the performance of the Japanese companies, whereas together...and in fact the mission of the Leica Corporation now is to be the world's first choice provider.

Interviewer And you've succeeded?

Max Pocock Without any doubt, I think it's been a success. If I was an accountant, look at the numbers, it is a success, but I think also in a wider sense the customer base has grown, the products are much better, the services to the customers are much better.

III.

Interviewer What about on the human level? How did the people in the two companies react to the merger?

Max Poccock There was a lot of coming together very very early on of a lot of people. Because both companies are pushing back the frontiers of technology there's an immediate common interest in each other's technology. Probably, in many areas, this was two companies who had until the day before had been competing, who until the day before had been trying very hard to find out what each other was up to, what each was doing, I know their things worked, suddenly for all these technical people all the answers were all there so that probably, that very early sharing of technology probably helped to allay an awful lot, an awful lot of fears but! there were, there were areas and there were countries, for example, where each of the parties had, for example, a sales unit where I these were merged and there were people who lost their jobs but they were done as sympathetically as can be done, there was nobody who was put out on the street at a day's notice with no compensation.

Interviewer Were there any other consequences of this merger that you haven't mentioned?

Max Poccock For many of us the coming together of the two companies brought about the need for changes as well and this is now where Leica will be like, a great majority of companies in the last years, as we become more and more customer focused, all the things about outsourcing, rightsizing, all of these things, they're just as common within Leica, we're probably much better capable and able to deal with them because of the size and our position in the market.

LISTENING

I.

People invest money in the hope their wealth will grow over time. People with a lot of money may have financial advisers to make investments for them. But people with limited savings can invest through mutual funds.

A mutual fund is a collection of different financial securities. These include stocks and debt-based investments.

Stock in a company gives the buyer a financial share in that business. The shareholder may receive a small payment, or dividend, from time to time for each share owned. But the value of stocks can change greatly in a short time.

A debt-based security, like a bond, represents a loan for a set period of time. Companies or governments sell these securities as a way to borrow money. Most debt securities pay interest until their period ends, or they reach maturity. After that, the loan is repaid.

Mutual funds can invest in stocks, debt securities or a mixture of both. They offer investors a lot of choice. For example, a stock index fund can be designed to match the performance of the whole stock market, investing in thousands of stocks. For as little as one thousand dollars, an investor can own the stock market. Index funds also cost little to own.

On the other hand, trading individual stocks and bonds can be costly. Investment trading companies charge investors to make trades on exchanges like the New York Stock Exchange or NASDAQ. But if a buyer invests only a small amount, the cost of trading can quickly reduce his or her investment gains.

The Investment Company Institute says the average yearly cost of a mutual fund is a little over one percent of the amount invested. And costs continue to drop.

Mutual funds also reduce risk. They spread money over hundreds of investments. This limits the harm from a single investment loss. But, even the largest mutual funds still carry some risk. There is no guarantee that a mutual fund will gain or keep its value under bad market conditions.

Today, there are almost eight thousand mutual funds in the United States. And Americans continue to increase their mutual fund holdings.

About half of all American families own some mutual funds. Their average investment is forty-eight thousand dollars.

PREPARING TO NEGOTIATE

LISTENING

I

Fiona Matrix Housing. Fiona Woodhouse speaking. How can I help?

Manolo Oh hello. This is Manolo Garcia Puente calling from Design Express. Thank you for asking us to quote for designing your newsletter. Based on the specification you gave, that'll be £75 per page – so £600 per issue.

Fiona £75 a page? That sounds rather a lot... but then I don't know much about design costs these days ...

Manolo I assure you you'll not find a cheaper quote elsewhere – we're very professional and extremely competitive.

Fiona Hmm ... I can't really compare, as I haven't asked anyone else for a quote – but it is more than we can afford. Um ... perhaps you'd like to reconsider your price or offer a discount, as it's the first issue and everything.

Manolo A discount? We don't usually offer discounts, I'm afraid.

Fiona Well, we urgently need the newsletter designed, so we'll pay the £600 this time, but I'm afraid we won't be able to use your services in the future.

Manolo Oh, I see. Well. I'm sorry you feel that way.. but...

II

- ▲ You know Kempsters, the large building company in Wakefield? Well, they asked us for a quote for pine flooring for the hallways in the new office block they're working on. I faxed the quote through yesterday, and their buyer, Michelle Bruce, has just called to see if we'd be prepared to lower our prices. I said I'd call her back ... I'm not sure what to say ...
- + I see. How much would the job be worth to us?
- ▲ At least £25,000 for the flooring. I reckon, plus delivery, labor costs, fittings and so on.
- + Wow! In that case, I think we should negotiate with them.
- ▲ I agree, but what do you think we should offer?
- + We could drop the price by £20 per meter, as that would make us cheaper than Floors4u.
- ▲ Hmm, I don't think that's enough. Some of the bigger retailers are charging just £16.50 a meter for their stock pine flooring. I think we should reduce the cost by a pound from £16.99 to £15.99, so that we're more competitive.
- + That sounds good to me. I think our main aim should be to get the contract for the hallways, but remember that Kempsters will need to get flooring for the office space, too. If the negotiation is going well, you could then try to get them to give us the contract for the offices, too.
- ▲ Good idea, but how?
- + Perhaps offer to give them a further discount, say 5 % off the total price, if they guarantee to buy all their flooring from us for the new development. That way we get a lot more business, and they save themselves money and the hassle of dealing with two suppliers. Do you think their buyer would go with that?
- ▲ Well. Michelle is their most experienced buyer, and quite a demanding negotiator, so I've heard – she might well say 5 % isn't enough and ask for 20 % – I don't think we should go as high as that because it won't give us enough profits.
- + I agree. It might be better to go up to a maximum of 10 %, but offer to fit the flooring for free if they demand more.
- ▲ Hmm – I can see your point, but if we let it for free now, that could cause us problems in the future.
- + True ... let's offer a maximum of 10 % discount if we get both contracts, but forget the free fittings. So, let me just recap on what we'll offer... we're going to reduce the price by a pound ..

REACHING AGREEMENT

LISTENING

I

So, in the bargaining phase of a negotiation, when you put conditions to the oilers you are making, your business partner won't necessarily accept immediately. This is because he or she is probably starting with a different viewpoint to you, and a first step in avoiding argument is to show respect for your partner's opinion and needs. Never say "you are wrong". Instead, try to see things from your partner's point of view. When trying to persuade your partner, make them feel important, show respect and let your partner feel the solution is their idea. Let them do the talking. You need to be a good listener. Check and clarify a few issues to prove that you really are listening, and it helps you to 'read between the lines' to establish what they really are saying, if your partner remains unsure, give them reassurance, talk in terms of their interests and demonstrate how agreement can benefit you both.

II

- 1 I understand your concerns about noise and dirt. You can be sure that the strictest health and safety regulations have been followed.
- 2 I appreciate the fact that you don't want the construction work to cause delays for your research. I can assure you that we will do our very best to avoid that.
- 3 I realize that you are worried about storage space. I assure you that we will provide you with the standard amount.

CONCLUDING THE DEAL

LISTENING

I

Emily So, can I just go over what we've agreed? You're going to supply us with 100 bottles of still and 200 bottles of sparkling water to be delivered directly to the Hotel Splendido in Milan on the 15th of March. The total cost to us will be €456, which we have agreed to pay in full within 25 working days of receiving the delivery. Have I missed anything?

Supplier No, I think that's all. Emily ... oh, one final point we need to agree, I think, is a suitable delivery time.

Emily Oh, yes, as I said before, the earlier, the better! Shall we speak on the phone next week?

Supplier Good idea. Emily. I'll ring you on Thursday.

Emily OK. I look forward to speaking to you again then. By the way, good luck with your tennis match on Saturday!

Supplier Oh, thanks. I'd almost forgotten about that. Goodbye!

KEYS

THE FINANCIAL ENVIRONMENT

READING

I.

1c 2e 3j 4l 5d 6h 7i 8f 9m 10k 11g 12a

II.

- 1 ... increased accountability and transparency.
- 2 ... part of the government.
- 3 ... scrutinized.
- 4 ... their freedom is constantly constrained by politicians.
- 5 ... account for their actions and show shareholders that they are operating efficiently/effectively.

III.

1D 2F 3A 4H 5B 6I 7G 8E 9C

LISTENING

I.

Suggested answers

- 1 Banks have lent too much to people who cannot repay and are short of funds.
- 2 It means that their balance sheets will have to be scrutinized more carefully.
- 3 The Financial Reporting Council (FRC), which also regulates the audit industry.

II.

- 1 to hide
- 2 careful
- 3 accounts
- 4 written off
- 5 extra funds
- 6 balance sheets
- 7 rescue package
- 8 regulating
- 9 risks
- 10 diligence

WRITING

I.

- 1 of
- 2 the
- 3 by
- 4 the
- 5 with
- 6 to
- 7 in
- 8 for
- 9 a
- 10 with
- 11 to
- 12 on

II.

Suggested answer

Results of the survey indicate that while 83 % of respondents understand what is meant by the term 'carbon footprint', 17 % stated that they did not.

The survey also revealed that 55 % of respondents have not yet made any attempts to reduce the carbon footprint of the company. On the other hand, 45 % said that they had implemented some steps to minimize their carbon footprint. In answer to the question 'How important is businesses' role in reducing the impact of climate change?', over half of those who took part in the survey ranked this factor 'very important', 33 % said it was 'quite important', and a further 7 % responded 'not very important'.

Only a small minority of respondees – 3 % – considered this factor to be 'not at all important'. In response to question 4 on the questionnaire, many respondents (45 % 'quite important') believed that customers or clients attached some importance to environmental issues, while 42 % stated that it was 'not very important' and 4 % 'not at all important'.

In contrast, only 9 % of those interviewed believed that this issue was 'very important'.

Finally, the survey revealed that a startling 70 % of those who took part were in favour of the government enforcing measures to make businesses adopt more environmentally friendly processes, and 30 % opposed this move. (213 words)

STOCKS AND SHARES

READING

1 True; 2 False; 3 True; 4 False; 5 False; 6 True; 7 False; 8 True; 9 True; 10 True.

VOCABULARY

I.

1 floating; 2 underwrite; 3 quoted; 4 settled; 5 nominal, face or par value; 6 market price.

II.

1 shareholders; 2 bulls; 3 bears; 4 stags; 5 stockbrokers; 6 market-makers; 7 insiders; 8 arbitrageurs.

III.

1 equities; 2 ordinary shares; 3 participation certificates; 4 preference shares; 5 deferred shares; 6 blue chips; 7 barometer stocks; 8 growth stock; 9 defensive stock; 10 mutual fund.

BONDS

LISTENING

I.

- 1 Bonds generally pay a fixed rate of interest and are repaid at a fixed date. The income from stocks depends on the company's performance, and they have no maturity date.
- 2 Individuals, pension funds, and mutual funds.
- 3 Government bonds have a very low risk, company bonds generally have a moderate risk, stocks generally have a higher risk.
- 4 Fixed-interest bonds depreciate if interest rates rise, and appreciate if they fall.

VOCABULARY

I.

1 h; 2 j; 3 d; 4 a; 5 b; 6 e; 7 i; 8 k; 9 g; 10 f; 11 e.

II.

1 issue; 2 secondary; 3 coupon; 4 fixed; 5 yield; 6 above par; 7 maturity; 8 investment grade.

READING

I.

- 1 The advantage of borrowing money by issuing bonds is that interest payments, unlike dividends, are tax-deductible. But interest has to be paid even in a year in which a company makes no profit, so it is safer to have equity capital as well, on which no dividends need to be paid if there are no profits.
- 2 Governments issue bonds when their expenditures are greater than tax revenues.

II.

- 1 C (See first paragraph of text.)
- 2 C (If interest rates have gone up, bondholders may get less than they paid for a bond, and if a company seems to be going bankrupt, no one will buy their bonds at any price, hence 'try to get their money back')
- 3 B (See third paragraph and also the last paragraph of the tapescript of the interview in lb.)
- 4 C (See fourth paragraph; A is false because the advantage of bonds over bank loans is not a fiscal advantage, but a matter of borrowing costs.)
- 5 B (See final paragraph.)

LISTENING

II.

- 1 Companies would obviously be interested in issuing floating rate notes if they were confident that interest rates would fall.
- 2 Investors would equally, obviously, be interested in buying floating rate notes if they expected interest rates to rise.
- 3 Investors will be interested in convertible bonds if they expect a company's share price to rise sufficiently for them to make a profit by converting the bond into shares.
- 4 Since convertible bonds offer the investor the possibility of extra returns, companies **are** usually able to issue them at a lower than normal rate of interest. It is usually cheaper to issue bonds than shares, and convertibles give a company the advantages of debt financing (the tax shield) without the necessity to repay the principal if the bondholders later convert the bonds into shares.
- 5 Speculative investors who like high yields, and who calculate that the extra interest paid by junk bonds more than compensates for the possible risk of default.

FUTURES AND DERIVATIVES

READING

1 True; 2 False; 3 False; 4 True; 5 False; 6 True; 7 True; 8 False; 9 True; 10 False.

VOCABULARY

I.

call option, financial market, financial instrument, forward contract, forward market, futures market, market price, primary market, raw materials, spot market, spot price, strike price, etc.

II.

call option – put option; discount – premium; drought – flood; exercise price – market price; futures market – spot market; hedging – speculation; in-the-money – out-of-the-money; obligation – right.

LISTENING

I.

- 1 False (She says the fault lies with both banks and end-users.)
- 2 True
- 3 True
- 4 False (She says that this is exactly what you should not do.)

II.

1 G 2 C 3 E 4 A 5 B 6 H 7 1 8 F 9 D

III.

- 1 Possible answer: Because this will force senior managers to become more aware of the potential risks of derivatives and therefore act more responsibly.
- 2 C ('I believe that if the high profile losses prod senior management of all our companies to sit up and take a greater and more active interest in how companies use derivatives, that's the best possible thing.' The verb *prod* here means encourage or oblige.)

MERGERS AND ACQUISITIONS

VOCABULARY

I.

1. to innovate (innovation)
2. to diversify (diversification)
3. to merge (a merger)
4. a raid
5. a takeover bid
6. horizontal integration
7. vertical integration
8. backward integration
9. forward integration
10. synergy

SPEAKING

I.

1 A or B (B, if you believe that top executives are important to a company, or A, if the reason behind the takeover is precisely to get rid of bad managers)

2 A 3 B 4 B 5 B 6 A 7 C 8 B 9 A 10 C 11 A 12 C

13 A or B (this is an argument/or acquiring companies with better or cheaper products, or with products that are successful in small market segments, but an argument *against* increasing a company's size on the expectation that this alone will lead to success)

14 A 15 B

LISTENING

I.

1 E 2 B 3 A 4 G 5 F 6 C 7 D

II.

- 1 Wild-Leitz was a larger company with more employees, but Cambridge Instruments was more profitable.
- 2 The purpose of the merger was to become 'a world player', large enough to compete with Hitachi and other Japanese companies, and become the most successful company in the industry.

- 3 He mentions the numbers or figures to be found in the accounts, e.g. turnover and profits, the increase in the number of customers they serve (the customer base), the improvement of the products, and the improvement of customer service.

III.

1 The technical staff in both companies were interested in finding out about each others advanced technology, and in sharing it.

2 The staff in each company had been trying very hard to discover what the other one was planning, doing and making, and how its products worked.

3 In the sales units in some countries (as the company formed by the merger required fewer sales staff).

4 He mentions outsourcing and rightsizing. Outsourcing means contracting out work (the construction of components, the supply of various services, and so on) to outside companies, which inevitably leads to the company itself employing fewer staff. Rightsizing also means making sure that the company has the right number of staff to be optimally profitable, which again generally leads to the company employing fewer staff.

LEVERAGED BUYOUTS

READING

I.

Most of the following sentences and part-sentences should be underlined:

- ... many of these conglomerates consisted of too many companies and not enough synergy. After the recession of the early 1980s, there were many large companies on the US stock market with good earnings but low stock prices. Their assets were worth more than the companies' market value, (*lines 5–8*)
- Such conglomerates were clearly not maximizing stockholder value. The individual companies might have been more efficient if liberated from central management. Consequently, raiders were able to borrow money, buy badly-managed, inefficient and underpriced corporations, and then restructure them, split them up, and resell them at a profit. (*lines 9–13*)
- Although the market could understand data concerning companies' earnings, it was highly inefficient in valuing assets, including land, buildings and pension funds. Asset-stripping – selling off the assets of poorly performing or under-valued companies – proved to be highly lucrative. (*lines 16–19*)
- Theoretically, there was little risk of making a loss with a buyout, as the debts incurred were guaranteed by the companies* assets. (*lines 20–21*)
- ... the high returns on debt issued by risky enterprises more than compensated for their riskiness, as the rate of default was lower than might be expected. (*lines 29–31*)
- the permanent threat of takeovers is a challenge to company managers and directors to do their jobs better, and ... well-run businesses that are not undervalued are at little risk. The threat of raids forces companies to put capital to productive use. Fat or lazy compa-

nies that fail to do this will be taken over by raiders who will use assets more efficiently, cut costs, and increase shareholder value. (lines 35–39)

II.

1. The fact that many large conglomerates' assets were worth more than their stock market valuation demonstrated that they were clearly not maximizing stockholder value, i.e., giving their stockholders the maximum possible return on their investment.
2. Raiders bought conglomerates in order to strip them of their assets, i.e., to restructure them, split them up, and resell the pieces at a profit.
3. Raiders showed that the stock market did not necessarily value companies' assets correctly, especially land, buildings and pension funds.
4. Raiders were particularly interested in companies with large cash reserves, companies with successful subsidiaries that could be sold, and companies in fields that are not sensitive to a recession.
5. Investors were prepared to lend money to finance LBOs because they received a high rate of interest which more than compensated for the risk that the bonds would not be repaid.
6. Raiders argue that the possibility of a buyout forces company managers and directors to *do* their jobs well, and to use their capital productively.

VOCABULARY

I.

1 B 2 G 3 D 4 H 5 F 6 A 7 E 8 C

II.

1 borrowed; 2 financed; 3 stock market value; 4 asset-stripping; 5 conglomerates

INVESTMENT SCHEME

READING

I.

1	2	3	4	5	6	7
in	to	a	correct	correct	very	correct
8	9	10	11	12	13	14
does	means	to	correct	each	a	correct

VOCABULARY

I.

1a 2c 3c 4b 5b

LISTENING

I.

- 1 financial advisers
- 2 mutual funds
- 3 financial securities
- 4 shareholder
- 5 borrow
- 6 loan
- 7 investor
- 8 reduce
- 9 conditions
- 10 increase

PREPARING TO NEGOTIATE

LISTENING

I

1.

Neither has prepared very well for the negotiation. Fiona doesn't have very good knowledge about design costs, but she could have tried to bud out more. e.g., getting quotes from several different suppliers or asking colleagues for advice. Neither seems to have set their objectives. There is nothing to be gained from making a deal at all costs – Fiona could have turned down the quote and gone to someone else less expensive.

2

The negotiation is not very successful. The supplier is not thinking flexibly or long term – he could have given a discount for the first issue and agreed a price to design the next two/three/four, etc. issues of the magazine. Fiona could have helped him see the long-term view – it's the first issue and the first negotiation they are having, but agreeing a price they are both happy with for a number of years or issues would save Fiona having (or negotiate a new deal with a new supplier each time – and the supplier would have valuable long-term business. Both have missed opportunities by not fully understanding each other's needs or being open-minded enough.

II

1 (pine) flooring

2 Michelle Bruce, senior buyer from Kempsters

3 to get their business providing flooring for hallways

4 to get the business for providing flooring for offices too

5 dropping their price by £20 per meter: giving 5 %/1 (1 % off the total price if Kempsters buy all the flooring from them: free fitting

6 Michelle might ask for 20 % off

7 drop price to £15.99 per meter and offer a maximum of 10 % discount

VOCABULARY

I

1f, 2e, 3b, 4c, 5d, 6a

II.

3, 6, 4, 2, 1, 5

SPEAKING

I

1 attitude to time, relationship building

2 relationship building

3 conversational rules

4 hierarchy

5 physical contact

6 conversational rules

REACHING AGREEMENT

LISTENING

I

Persuading: make partner feel important, show respect, let them feel solution is their idea.

Listening: let them do the talking, be a good listener

Checking and clarifying: check and clarify to prove you are listening, to read between the lines.

Giving reassurance: talk in terms of their interests; show how agreement can be of benefit to both parties.

READING

I

1, 4

II

- 1 can guarantee that, accept the proposal
- 2 Provided that, then we could
- 3 If you, we could
- 4 If you can; we are prepared
- 5 you'll agree that
- 6 you'll appreciate that
- 7 assure you that
- 8 can be sure that

III

- 1c 2d 3e 4b 5a

VOCABULARY

I

- 1 moved 2 shared 3 can start 4 will become 5 would use 6 continue

LISTENING

I

- 1b 2b 3b

VOCABULARY

I

- 1 true 3 true 5 true 7 false
2 false 4 false 6 false

II

- 1 binding
- 2 commercial
- 3 binding/legal
- 4 oral/verbal
- 5 employment

III

1, 6, 5, 7, 4, 8, 3, 2

CONCLUDING THE DEAL

LISTENING

I

- 1. F
- 2. T
- 3. F
- 4. T

II

- 1 B
- 2 B
- 3 A
- 4 A

VOCABULARY

I

Summarizing	Confirming agreement / Responding	Outlining future action	Thanking / Saying goodbye
<p>Perhaps I could just summarize what we've agreed?</p> <p>Can I just go over what we've agreed?</p> <p><i>Let's just recap what we've agreed.</i></p>	<p>Do you have anything to add?</p> <p>Have I missed anything out?</p> <p><i>Do we need to discuss anything else?</i></p> <p><i>Are you happy with that?</i></p> <p><i>I think we've covered everything.</i></p> <p><i>No, I think that's all.</i></p>	<p>One point we need to agree is a suitable delivery time.</p> <p>As agreed, we will contact you about a suitable delivery time.</p> <p><i>So we've agreed we will deliver tomorrow.</i></p> <p><i>So you're going to send us a written summary.</i></p>	<p>Look forward to speaking to you again then.</p> <p>Bye.</p> <p>Thank you and goodbye.</p> <p><i>Would you like a coffee before you leave?</i></p>

VOCABULARY

I

- 1 The company were negotiating from strength. They had more bargaining power.
- 2 The union were negotiating from weakness.
- 3 The union made demands for a pay increase of 100 per cent, but then they backed down/climbed down.
- 4 The miners gave in and went back to work.
- 5 The company had been confrontational and adversarial.

II

1b, 2a, 3d, 4e, 5c

III

1e, 2c, 3d, 4b, 5a

FORMAL STYLE

VOCABULARY

I

1. analyze (spelt analyze in American English)
2. Assessed at
3. averting
4. administer
5. assigned
6. Annulled
7. audit
8. appealed to
9. addressed
10. Award
11. admonished
12. awaiting
13. Adjusted
14. adjourned
15. appointed

II

1. attend
2. advised
3. assist
4. amalgamated
5. attempt
6. assured
7. sequestered (we can also say sequestered)
8. settle
9. tender
10. dismissed
11. engage (we can also say employ, recruit or hire)
12. waived
13. present
14. elected
15. licensed

III

1. retain
2. specify
3. redeployed
4. consulted
5. undertaken
6. reinstated
7. inquiring (note that in this sentence, inquiring must be followed by «into»: 'We are inquiring into the background of the new supplier'. Inquiring can also be written enquiring)
8. consented
9. notified
10. briefed
11. outlined
12. upgraded
13. apportioning. The word in the shaded vertical strip (and the one that can be used to replace the words in bold in number 13).

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