



**English in Business communication skills:**

**Lesson 2**

**The bottom line**

**Share capital and debt**

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# Content:

1. Accounts;
2. Financial reporting;
3. Capital;
4. Share capital;
5. Loan capital;
6. Security;
7. Leverage.



**accountant** – someone who keeps or examines records of money received, paid and owed by a company or person;

**bookkeeper** – someone whose job is keeping an exact record of the money that has been spent or received by a business;

**accountancy** – the job of being an accountant:



<https://www.topaccountingdegrees.org/faq/what-does-a-bookkeeper-do/>



<https://henrytapper.com/2018/05/13/is-there-a-true-and-fair-way-to-value-advice/>



<https://www.youtube.com/watch?v=Cc53adqtKuA>

**Auditor** – someone whose job is to carry out an official examination of the accounts of a business and to produce a report;  
**true and fair view** – used in a company’s accounts by its auditors to say that the accounts are accurate and complete;  
**creative accounting** – ways of explaining how money has been spent, that hide what has really happened to;

## Accounts

‘Hi, I’m Fiona and I’m an **accountant**. I work in Edinburgh for one of the big **accountancy firms**. We look at the financial records or **accounts** of a lot of companies. We work with the accountants of those companies and the **book-keepers** – the people who work under them. Sometimes we act as **auditors** – specialist outside accountants who check a business’s accounts at the end of a particular period to see if they give a **true and fair view** – in other words, that they are accurate and complete.

‘When a company’s results are presented in a way that makes them look better than they really are, it may be accused of **creative accounting** or **window dressing**. Of course, one of our jobs is to spot this and to prevent it happening!

‘**Audits** are only part of what accountants do, but it’s a very important part.’




**annual report** – a report made by a company each year that includes the companies audited accounts, along with statements of profits or loss and how the management thinks the company will do in the future;

**profit and loss account** – a document that shows a company's profit or loss in a particular period;

**accounting standard** – a rule that describes how the financial information of a company or organization must be recorded:

<https://www.investopedia.com/terms/p/plstatement.asp>



**Profit and Loss (P&L) Statement**

[ˈprə-fət ən(d) ˈlɒs ˈstæt-mənt]

A financial statement that outlines a company's revenue, costs, and expenses over a specified period of time.

Investopedia

**Pre-tax profit** - also known as earnings before interest and taxes (EBIT), is the profit a business makes after it pays its costs and before paying taxes;

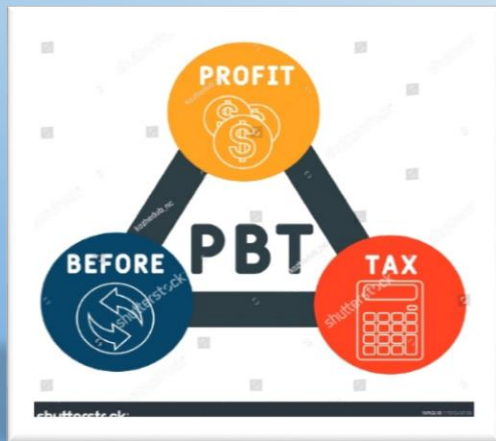
**pre-tax loss** – is the total loss made by a company before tax has been taken away;

**exceptional loss** – a loss shown in a company's accounts that relates to an unusual event that does not happen regularly;

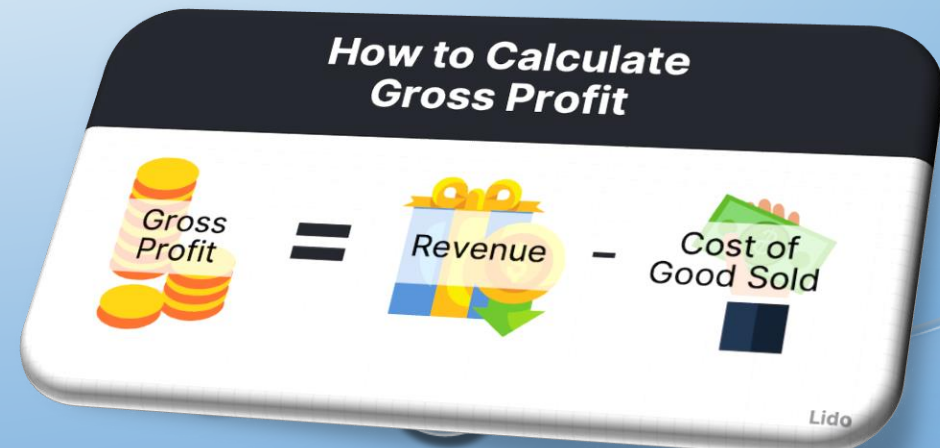
**gross profit** – a company's profit from selling goods or services before costs not directly related to producing them are subtracted;

**net profit** – the money made by a company or part of a company for a particular period after all costs, taxes, etc. have been paid:

<https://www.investopedia.com/terms/a/apr.asp>



<https://www.lido.app/metrics/gross-profit>



**bottom line** – the final line in the accounts of a company or organization, stating the total profit or loss that has been made;  
**in the red** – a company or organization that has lost money in a particular period;  
**red ink** – a situation in which a company is losing a lot of money;  
**bleeding red ink (haemorrhaging red ink)** - to have severe financial problems;

<https://www.valueresearchonline.com/stories/49235/understanding-the-pandl-statement-tax-and-other-items/>



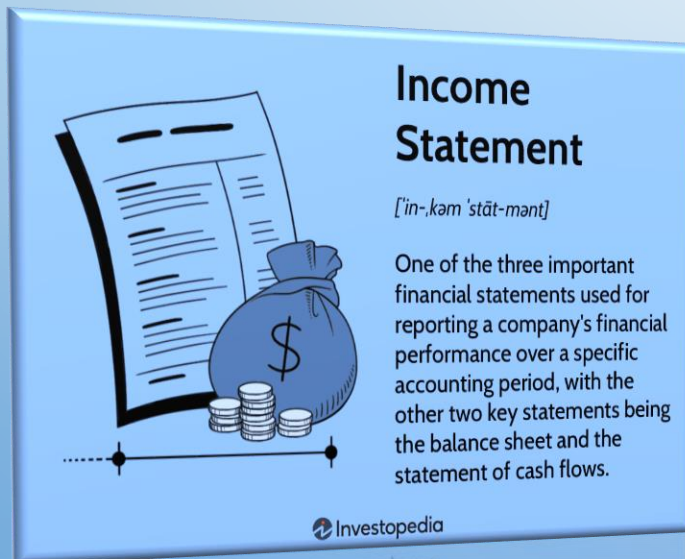
<https://www.investopedia.com/terms/b/bottomline.asp>



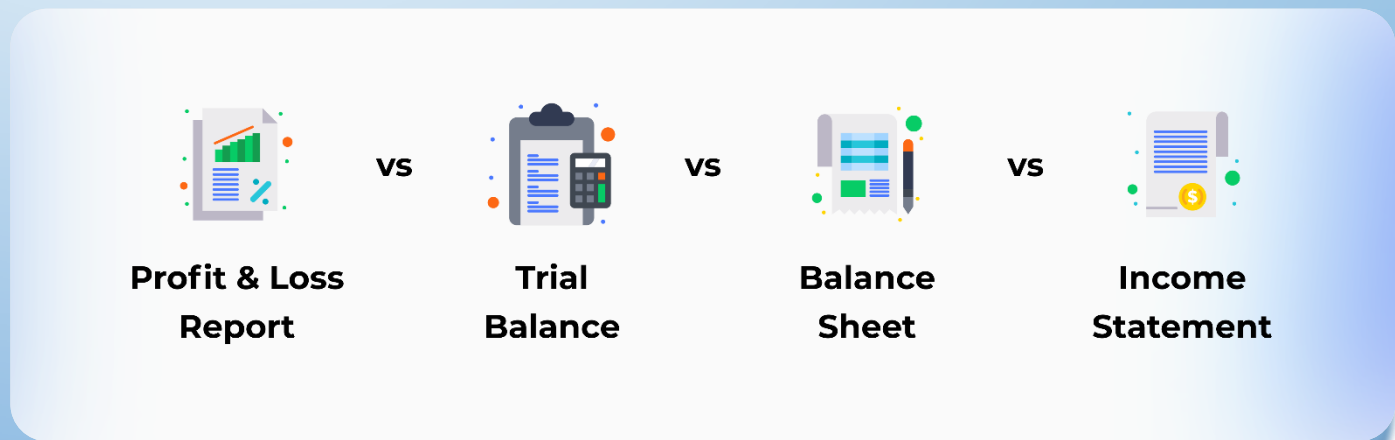
A firm **reports** its performance for a particular period in its **results**. In Britain, results for a particular year are shown in the company's **annual report**. This contains, among other things, a **profit and loss account**; in the US, they call this the **income statement**.

In theory, if a company makes more money than it spends, it **makes a profit**. If it makes less than it spends, it **makes a loss**. But it's possible for a company to show a profit for a particular period because of the way it presents its activities under the **accounting standards** or **accounting rules** of one country, and a loss under the rules of another.

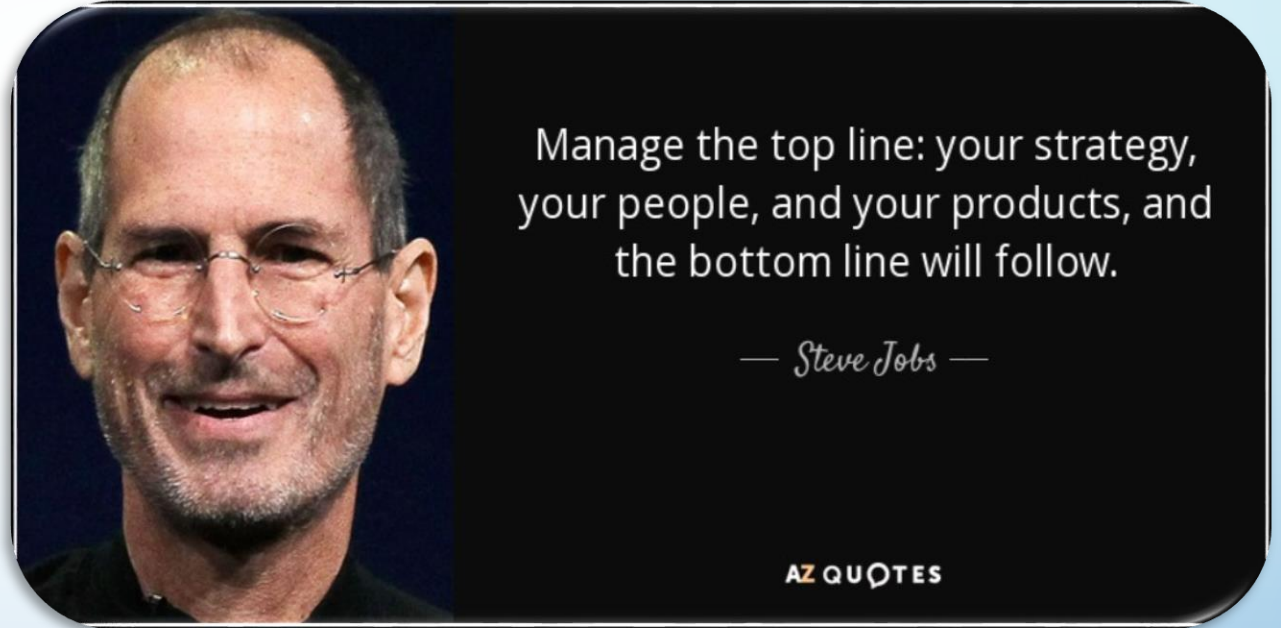
<https://www.investopedia.com/terms/i/incomestatement.asp>



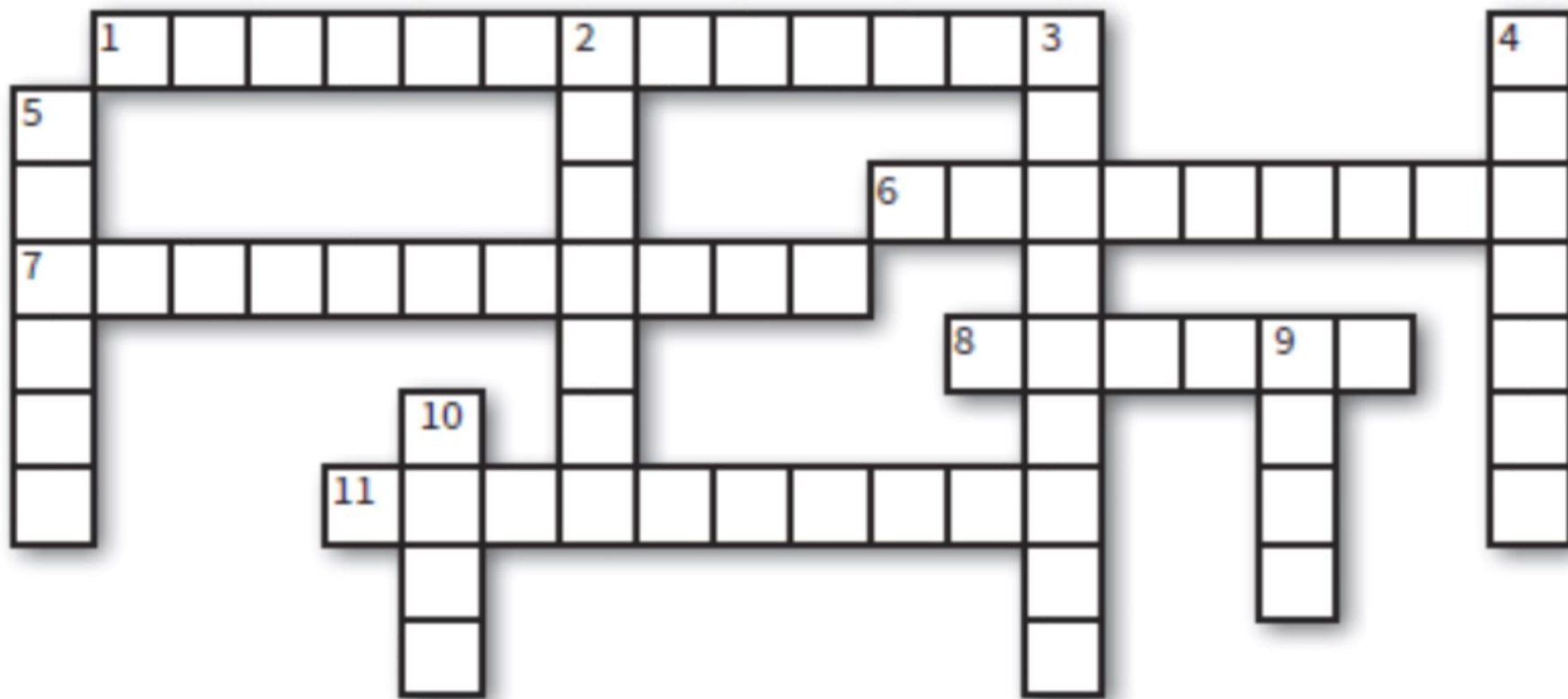
<https://www.zetran.com/trial-balance-vs-balance-sheet-vs-pl-vs-income-statement/>



A **pre-tax profit** or a **pre-tax loss** is one before tax is calculated. An **exceptional profit** or **loss** is for something that is not normally repeated, for example the sale of a subsidiary company or for the costs of restructuring. A company's **gross profit** is before charges like these are taken away; its **net profit** afterwards. Profits are also referred to as **earnings**. The final figure for profit or loss is what people call informally the **bottom line**. If a company makes a profit, it is **in the black**. If it makes a loss, commentators may say that it is **in the red**. They may also use expressions with **red ink**, saying, for example, that a company is **bleeding red ink**.



<https://www.azquotes.com/quote/1059497>



**Across**

- 1 and 2 down what the British call the income statement (6, 3, 4, 7)
- 6 what accounts have to follow (9)
- 7 not occurring regularly (11)
- 8 what companies do when they announce results: they ..... them (6)
- 11 the final figure for profit or loss (6, 4)

**Down**

- 2 see 1 across
- 3 what Americans call the profit and loss account: income ..... (9)
- 4 Companies publish their financial ..... in their annual report. (7)
- 5 before tax is taken away (6)
- 9 another name for 'standard' (4)
- 10 not a profit (4)

## Capital

**Capital** is the money that a company uses to operate and develop. There are two main ways in which a company can **raise capital** – find the money it needs: it can either use **share capital** or **loan capital** from **investors**. These are people or organizations who put money in, hoping to make more money from their **investment** or **stake** in the company.

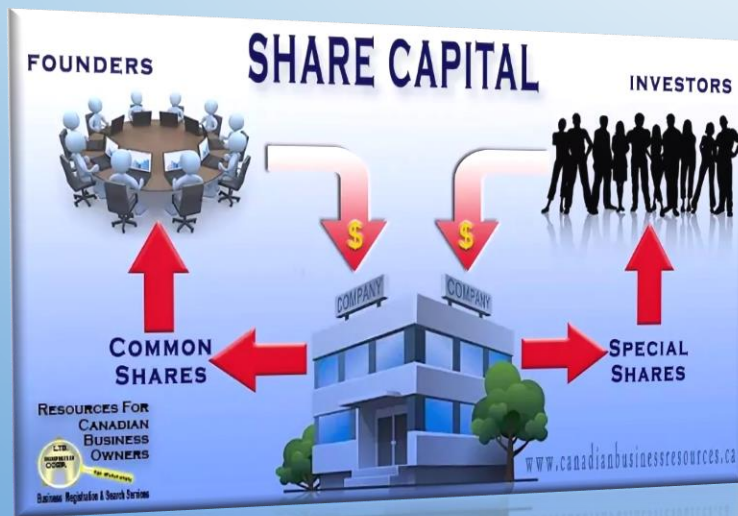
### Shareholder

#### Roles



<https://www.wallstreetmojo.com/shareholder/>

- **share capital** - money invested in a business in the form of shares rather than bonds
- or other forms of lending;
- **equity** - the value of a company, divided into many equal parts owned by the shareholders, or one of the equal parts into which the value of a company is divided;
- **venture capitalist** – a person or company that invests money in new companies, especially when this involves risk;
- **dividends** - a sum of money paid regularly (typically annually) by a company to its shareholders out of its profits (or reserves).



<https://www.westpac.com.au/personal-banking/share-trading/the-share-market/how-dividends-work/>



<https://www.canadianbusinessresources.ca/share-capital/>

**Share capital** is contributed by **shareholders**. They are individuals or organizations that have provided or **put up money** to buy **shares** or **stock** in the company. Each share represents a part of the ownership of the company. If you **hold shares** in a company, you may receive **dividends** periodically, usually based on the company's **earnings** – profit – in the relevant period, if any. But some companies do not pay dividends, and investors make a profit as the company grows and the value of its shares increases. Capital in the form of shares is also called **equity**.



<https://mahadevanshairesense.com/blog/difference-between-stock-and-share/>

A stock is the actual asset in which you invest, while a share is the unit of measurement for that asset. So, a stock tells you what you are investing in, and a share tells you how much of that stock you own.

<b>Stocks</b>	<b>Shares</b>
A stock refers to the publicly-traded company that issues shares	A share is the unit of measurement of ownership in a company
Stocks can refer to the ownership of many different companies	Shares usually refer to the specific ownership stake in a company
Stock is a more general term	Share is a more precise term

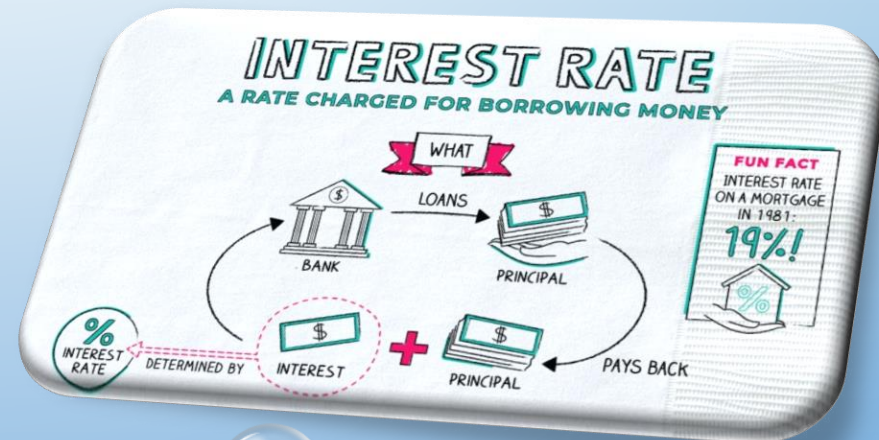
For example, if you are interested in investing in a company called ABC, you will buy 100 shares of ABC stock. Owning 100 shares of ABC would give you a specific ownership stake in the company's stock.

In contrast, if you said you wanted to buy 100 stocks, that would generally mean you wanted to buy shares of 100 different companies.

A company can also obtain capital in the form of money lent by investors who do not then have part of the ownership of the company. This is **loan capital**; an investor or a financial institution providing money in this way is a **lender**, and this money is referred to by them as **lending**.

The company borrowing money is the **borrower** and refers to the money as **borrowing** or **debt**. A company's total debt is its level of **indebtedness**.

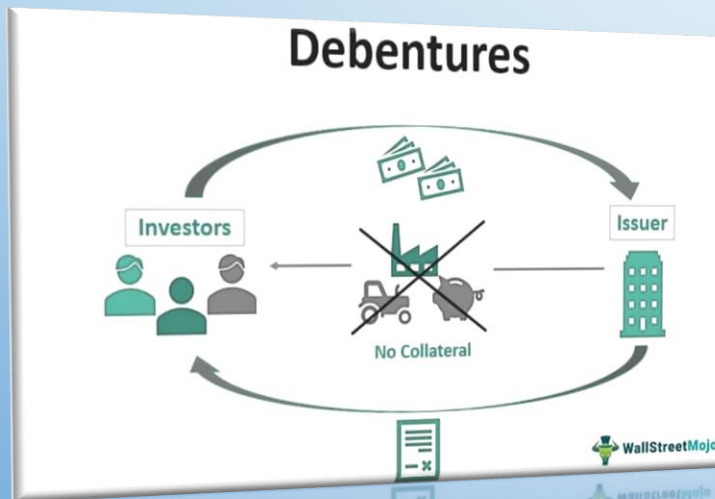
The sum of money borrowed is the **principal**. The company has to pay **interest** – a percentage of the amount it has borrowed – on its debt whether it has made a profit in the relevant period or not.



**bond** - an official paper given by the government or a company to show that you have lent them money that they will pay back to you at a particular interest rate;

**debenture** - a type of loan, often used by companies to raise money, that is paid back over a long period of time and at a fixed rate of interest;

**collateral** – valuable property owned by someone who wants to borrow money, that they agree will become the property of the company or person who lends the money if the debt is not paid back.



<https://www.wallstreetmojo.com/debentures/>



<https://assetsbanking.com/bonds/>

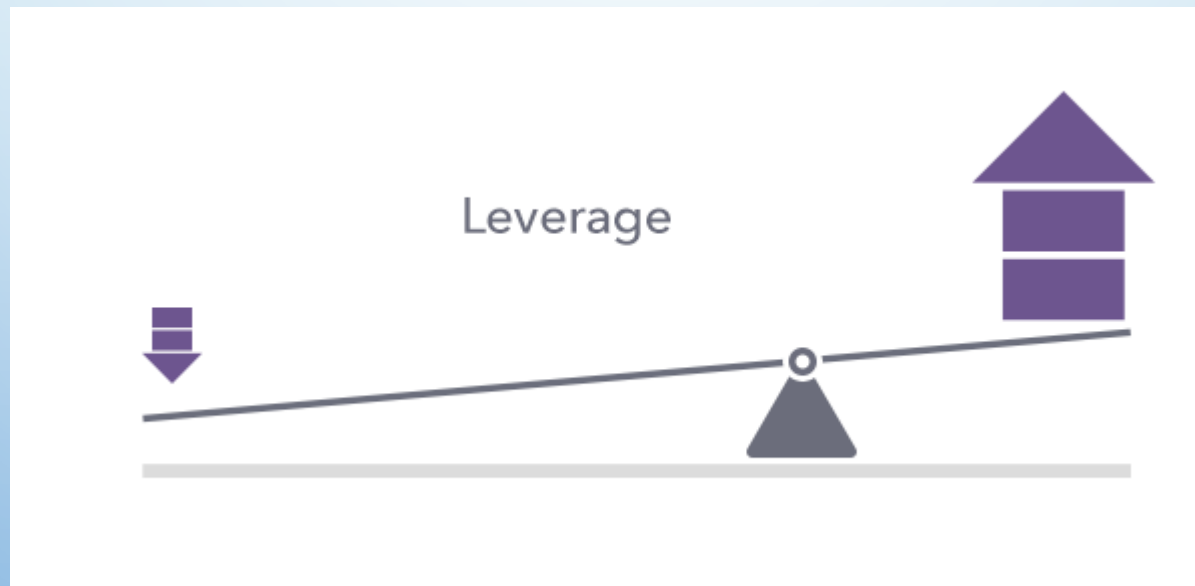
## Security

Borrowing by companies and other organizations is often in the form of **bonds** or **debentures** that they **issue** – make available and sell to lenders. Different types of bonds and debentures have particular technical conditions.

One of these conditions is whether there is **collateral** or **security** for the loan – if the borrower cannot repay the loan, the lender has the right to take equipment, property, etc. From the borrower and to sell it in order to get their money back. This equipment or property may be an asset that was bought with the loan

## Leverage

The amount of loan capital that a company has in relation to its share capital is its **leverage**. A company with a lot of borrowing in relation to its share capital is **highly leveraged**. A company that has difficulty in making payments on its debt is **overleveraged**.



## France may have to increase price of baguettes (9th January 2023)

France is famous for baguettes. They are currently facing a problem. High energy costs are forcing bakers to close their bakeries or raise baguette prices. Wheat supply issues caused by the Ukraine War are adding to bakers' woes. One baker is worried about his future. He may have to treble his baguette prices. He said: "I cannot pay an electricity bill of 12,000 euros with a turnover of 20,000 euros."

France's President Macron is worried about the baguette. He described it as "250 grams of magic and perfection". France introduced an "electricity damper" to limit how much bakers' electricity bills can rise by. Eligible bakers can benefit from this aid. Consumers also have tough choices. One said she didn't want to pay higher prices. She said she may have to "because there is no equivalent to a baguette".



<https://www.marketwatch.com/story/rising-wheat-prices-have-french-fretful-over-the-cost-of-a-baguette-01635348076>

## Comprehension questions

1. What does the article say France is synonymous with?
2. What might bakers have to do besides increase prices?
3. What did a French baker express fears for?
4. How much money a year does the baker in the article make?
5. How much can people buy a baguette for in French supermarkets?
6. How much did France's president say a baguette weighed?
7. What has France's Ministry for the Economy initiated?
8. Who can benefit from government aid?
9. What does the article say consumers are facing?
10. Who said she might start baking baguettes?



## Reference

1. **Business vocabulary in use, bill Mascull, Cambridge university press, 2017. (pp. 70-73)**
2. <https://dictionary.cambridge.org/dictionary/english/>
3. <https://www.investopedia.com/terms/p/plstatement.asp>
4. <https://www.accountingtools.com>
5. <https://breakingnewsenglish.com/2301/230109-baguettes-prices.html>

**Thank you for attention!**