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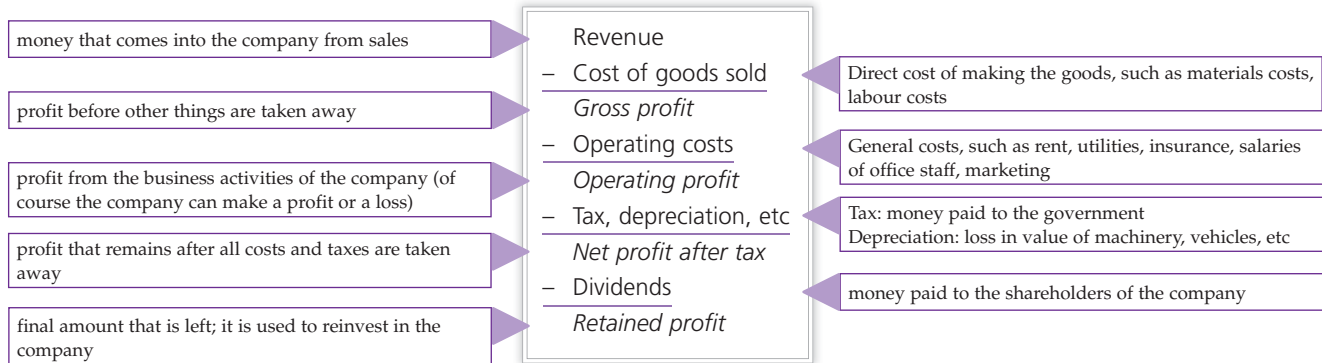
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13 Company finance

Profit and loss

Companies have to produce accounts every year, and one of the most important is the income statement. It is also called the profit and loss account, or just the P&L. Here is a simplified version.



Note the words 'gross' and 'net'. These words can be used for salary or weight as well as profit.

Note these alternative words.

revenue = turnover = sales income

operating costs = overhead = indirect costs

profit = earnings (formal)

a cost = an expense (formal)

spending = expenditure (formal)

Note that we say ...

make a **reasonable/healthy/huge/record** profit

make a **slight/significant/substantial/heavy** loss

first-quarter/half-year/annual profit

have an **annual turnover of** €15m

pay €2m **in taxes**

Assets and liabilities

A second annual account is the balance sheet. Here is a simplified version:

Assets	Liabilities
Current assets	Current liabilities
Long-term assets	Long-term liabilities
	Shareholders' equity

Assets are what the company owns. Current assets include cash and things that can be turned into cash quickly, such as accounts receivable (= money owed by customers). Long-term assets are things like machinery, vehicles and buildings.

Liabilities are what the company owes ('debts' in everyday language). Current liabilities are things that have to be paid quickly, such as accounts payable (= money owed to suppliers). Long-term liabilities are things like bank loans.

Now, imagine that the company stops doing business tomorrow. It uses all its assets to pay all its liabilities. Anything that remains belongs to the shareholders and would be returned to them. It is called shareholders' equity.

Note: Latin and German languages have words like 'active' and 'passive' for assets and liabilities. These are false friends.

We say ...

have **total assets of** €8m

have a **healthy/strong** balance sheet

have a **high level of debt** on your balance sheet

Cash

A third annual account is the cash flow statement. This shows the movement of real cash into and out of the company. A company can be profitable 'on paper' but have cash flow problems because of customers paying late, etc. A company needs real cash, not paper profits, to run its business day to day. This available cash, used to pay bills and salaries, is called working capital.

The three sets of accounts mentioned on this page are audited (= officially examined) each year.

- 1 Read the text for general understanding.
- 2 Read it again and underline the words you don't know. Check their meaning.

- 3 Highlight words you know passively, but don't use actively. Choose some to write sentences of your own.
- 4 Check pronunciation at macmillandictionary.com

Exercises

13.1 Underline the correct words.

- Another word for 'revenue' is *profit / turnover*.
- Another word for 'profit' is *earnings / dividends*.
- The word that means 'total before things are taken away' is *brute / gross*.
- The word that means 'total after things are taken away' is *liquid / net*.
- 'Assets' are everything that the company *owes / owns*.
- 'Liabilities' are everything that the company *owes / owns*.
- Money owed by the company to suppliers is called *accounts payable / accounts receivable*.
- To keep the business running, pay its bills, etc a company needs *daily capital / working capital*.

13.2 Rearrange the letters to make words and phrases from an income statement. Use the definitions in brackets to help you.

- cost of doogs losd cost of goods sold
(direct cost of making the products eg materials costs)
- opatering costs _____
(general costs eg utilities, marketing)
- renevue _____
(turnover; money from sales)
- ssrog prifot _____
(profit before other things are taken away)
- oteparing prifot _____
(profit from the business activities of the company)
- ten prifot after axt _____
(profit that remains after all costs and taxes are taken away)
- divendids _____
(money paid to the shareholders)
- deperiation _____
(loss in value of machinery, vehicles, etc)
- axt _____
(money paid to the government)
- renaited prifot _____
(profit that remains, after dividends have been paid, that can be reinvested in the company)

13.3 Five of the items from Exercise 13.2 are given in the income statement below and five are missing. Fill in the missing items.

1 _____	
- Cost of goods sold	
2 _____	
- Operating costs	
3 _____	
- Tax, ⁴ _____, etc	
Net profit after tax	
- ⁵ _____	
Retained profit	

13.4 Put the phrases into order, from 1 (the best for your company) to 6 (the worst).

slight loss record profit reasonable profit
healthy profit heavy loss significant loss

Last year we made a ...

- _____ 😊
- _____
- _____
- _____
- _____
- _____ 😞

13.5 Read the text, then answer the questions below.

What is shareholders' equity? On the very first day of the company's life it is the amount that the original founders of the business invested in the company. Let's imagine this is €100,000. This money, called the share capital, will be held at the bank in cash, waiting for the business activity to start.

So the balance sheet (BS) on Day 1 is very simple. On one side current assets are €100,000 and long-term assets are zero. On the other side, liabilities are zero (the business doesn't yet have any debt) and shareholders' equity is €100,000. The two sides of the balance sheet are equal. (That is why it is called a balance sheet.)

The company has a successful first year. The income statement shows a healthy net profit at the end of the year, and the shareholders decide to pay themselves a small dividend. After this, there is still a little money remaining to reinvest in the business (the retained profit). In the company's accounts this amount is transferred from the income statement to the balance sheet. In the BS it appears as an increase in shareholders' equity.

After several more years of successful trading the shareholders' equity is now quite large – each year it has grown by the addition of retained profits. But remember that shareholders' equity is only 'on paper'. It is not real money that we can see somewhere. Shareholders' equity is real only in the sense that there would be something left theoretically if the business stopped tomorrow and all the debts were paid using all the assets.

Why is shareholders' equity important? Because investors need to know approximately how much the business is worth. The simplest way to value a company is to say that it is the shareholders' equity right now plus (estimated) profits in the future.

Now circle T (True) or F (False).

- Shareholders' equity = share capital + retained profits. T / F
- Shareholders' equity appears on the right of the BS because it is not an asset that belongs to the company. It is an amount that the company owes (theoretically) to the shareholders. T / F
- The value of the business is the same as the value of the shareholders' equity. T / F

See page 146 for some discussion topics.

21 Projects and teams

The team

The success of projects depends on teamwork. The team leader should support team members, and every individual needs to be a good team player. You can:

lead/head (up)/run a team

build/form a team

join a team

work together as a team

team up with somebody (= work together with them)

be a team leader/team member/team player

Often your team includes external partners with whom you have common ground (= shared goals in certain areas). You work with them for your mutual benefit (= both sides gain something). When outside people are involved in the team and have the same goals, they are 'on board'.

*There is a lot of **common ground** between us – I think we can **work together for our mutual benefit**.*

*Welcome to the team. It's great to have you **on board**.*

Time and money

Projects have a schedule (= time plan) and a deadline (= final date). You can:

fall behind schedule and then **catch up**

be on schedule

finish ahead of schedule

agree/confirm/set/extend a deadline

meet/miss a deadline

Projects also need a budget (= money available to spend). Before the project starts you can:

estimate (or **underestimate**) costs

make a **rough** (= approximate) estimate of costs

And once it is running you should try to:

keep within the budget

stick to the budget (also **stick to** the schedule)

Getting started

At the beginning of a project you:

- Allocate resources (= decide how to use money, time, people and materials).
- Brief team members (= give them information and instructions).
- Delegate tasks.

If you are doing a project for an outside client, you:

- Meet with the client and discuss the specifications (= detailed instructions).
- Produce a breakdown (= detailed list) of the costs.
- Draw up (= prepare and write) a proposal and present it to the client.
- Get feedback from the client, and then modify the proposal based on the feedback.
- Discuss the details of the contract and then sign it once everything is agreed.
- Appoint subcontractors, usually after putting the work out to tender (= announcing publicly that work is needed and giving different companies the opportunity to bid for the work).

Finally you set a start date. If you have any issues (= problems), you might have to delay (= postpone/put back/push back) the start date.

Progress

Everyone gets on with their work (= continues with it). The team leader gets regular updates from team members and makes sure that:

- a) everything is on track (= developing in the right way and likely to be successful), and
- b) everyone is kept in the loop (= kept informed).

- **Where are we with** Phase 1 of the project?
- We've **already** done it. / We **haven't** done it **yet**. / Don't worry, everything's **on track**.

- Is everything going OK?
- We **had an issue** with a subcontractor but we're **back on track** now.

- Can you send me **regular updates**?
- **Leave it with me**.

- **What's happening with** Phase 2? I'm **out of the loop**.
- Good news. We're slightly **ahead of schedule**. And up to now we've managed to **keep within the budget**.

- **How's everything going with** Phase 3?
- We're **short of time**. / Time's **running out**.

- 1 Read the text for general understanding.
- 2 Read it again and underline the words you don't know. Check their meaning.

- 3 Highlight words you know passively, but don't use actively. Choose some to write sentences of your own.
- 4 Check pronunciation at macmillandictionary.com

21.1 Match an item on the left with an item on the right to make phrases from the text opposite.

- | | |
|----------------|--------------|
| 1 be the team | estimate |
| 2 be back on | resources |
| 3 allocate | a start date |
| 4 set | leader |
| 5 make a rough | track |
-
- | | |
|----------------|-------------------|
| 6 be kept in | tasks |
| 7 fall behind | within the budget |
| 8 finish ahead | of schedule |
| 9 delegate | schedule |
| 10 keep | the loop |
-
- | | |
|-----------------|---------------|
| 11 find common | a proposal |
| 12 brief (v) | ground |
| 13 draw up | with our work |
| 14 put work out | team members |
| 15 get on | to tender |

21.2 Complete the sentences with a whole phrase from Exercise 21.1.

- Juliana has little experience in this area. Is she ready to be the team leader ?
 - It's difficult to give a detailed breakdown of the costs, but I think we can _____ .
 - We've had a few problems but we should _____ in a day or two.
 - We should know our budget next week. The senior management team are having a meeting on Monday to _____ for all the planned projects.
-
- Phase 2 of the project is taking much longer than we thought. We're definitely going to _____ .
 - I won't be involved in the project on a day-to-day basis, but I would still like to _____ .
 - It's not vital that we stick exactly to the time plan – what really matters is the money side of things. We really have to _____ .
 - Everything's moving very quickly. Believe it or not I think we might even _____ .
-
- I'm sure we can _____ with our competitors on the issue of internet piracy. We need to work together to do something about it.
 - Great! The contract is signed and the budget is in place. Now we can finally _____ .
 - We can't just offer this job to our usual subcontractor. EU legislation requires that we _____ .
 - On Monday morning there's a kick-off meeting to _____ on the new project.

21.3 Rearrange the letters to make words. Use the definitions in brackets to help you.

- temarwok _____ teamwork
(the activity of working well together)
- ddeanile _____
(a time or date by which you have to do something)
- acallote _____
(decide to use money, time, etc for a particular purpose)
- degatele _____
(give part of your work to someone else)
- spificacions _____
(exact measurements or detailed plans)
- brakewodn _____
(detailed information separated into different groups)

21.4 Complete the sentences with these prepositions: back, between, on, on, to, to, up, up, up.

- Nicole is going to head _____ the Paris team.
- Henrick, I'd like you to team _____ with Maxime.
- There is a lot of common ground _____ us. I think we can reach an agreement.
- Welcome _____ the team. It's great to have you _____ board.
- We've fallen a little behind schedule – but no problem, I'm sure we can catch _____ .
- We're _____ schedule to finish the project at the end of May, just as we promised.
- We can't change the plans. We've agreed the schedule with the client and now we should stick _____ it.
- There's been an unexpected problem. We're going to have to push _____ the start date by a week.

21.5 Complete the dialogue by writing one word in each space. Some letters are given to help you.

BULENT: What's happening with the Saudi construction project? I've been away for a couple of weeks and I'm out of the ¹l_____ .

AZIZ: Don't worry, everything is on ²t_____. We've had a meeting with the Qataris and they're fully on ³b_____ now. They're going to invest 80 million dinars in the project.

BULENT: What about those guys in the Emirates?

AZIZ: They haven't contacted us ⁴y_____ .

BULENT: Well, time is ⁵r_____ out. We need to chase them. Can you deal with that?

AZIZ: ⁶L_____ it with me.

BULENT: And ⁷w_____ are we with the subcontractors?

AZIZ: We've put the work out to ⁸t_____. We've already had a number of bids.

BULENT: Good. I think we're in a position to ⁹d_____ up a schedule for the whole project now.

AZIZ: I agree. At a ¹⁰r_____ estimate I think we can begin the building work in May.

See page 147 for some discussion topics.

55 Meetings: basic phrases

Starting

To begin a discussion just say:

Right/So/OK/Right then/Well/Let's get started.

If there has been some social conversation first, then you can say:

OK, let's get down to business.

To introduce the subject of the meeting say:

We're here to decide ...

The purpose/aim of this meeting is ...

The reason we're here today is ...

Giving an opinion

You can just give an opinion with no special phrase OR you can introduce it with:

I think/I feel/I'd say (that) ...

Use a longer phrase to emphasize that it is a personal opinion. The underlined words are stressed in speech.

From my point of view, ...

The way I see it, ...

As far as I'm concerned, ...

You can introduce a comment with a short word or phrase like those below. This signals to the listener what kind of thing you are going to say.

Something is obvious

Obviously/Of course/Clearly ...

Something is surprising but true

Actually/In fact/As a matter of fact ...

You are uncertain

Apparently/It seems that/They say that ...

You are being honest

To be honest/Frankly/To tell the truth ...

Emphasizing an important point

Basically/The point is/The main thing is ...

Other phrases

Unfortunately/Luckily/I'm pleased to say that/Hopefully/

Presumably/Between you and me ...

Agreeing and disagreeing

While someone else is talking we say small words to let them know that we are listening and agree.

Right./That's right./True./That's true.

Absolutely./Exactly./Definitely.

Yes, good point./Yes, good idea./Yes, I agree.

To disagree just say:

But/However/Then again ...

Alternatively, use *Yes, but* or a variation of it:

That's true, but ...

Yes, you have a point, but ...

I can see what you're saying, but ...

You can correct factual information with *Actually*:

Actually, I'm Scottish, not English.

To disagree more directly you can:

Use open questions

Really? Do you think so? Are you sure?

Ask challenging questions

But what would happen if ...?

Have you thought about the risk involved?

Use a fixed expression

I'm not sure about that.

That's not really how I see it.

Managing the conversation

You may want to:

End a topic

OK. So I'll ... (+ action point) then.

Anyway, ... (+ conclusion).

Change the topic

Right/So/Anyway. Now what about ...?

OK, shall we move on to discuss ...?

Invite someone else to speak

What about you?

What do you think?

Interrupt

Can I just come in here?

Sorry, can I just say something/ask a question?

Block an interruption

Can I just finish my point?

Perhaps we can come back to this later?

Go back to a previous topic

Anyway, as I was saying ...

Anyway, getting back to what I was saying before ...

Finishing

To signal that you want to end the discussion say:

Right/So/Anyway ... (followed by a pause)

A longer alternative is:

I think that's as far as we can go today.

Finally talk about the next steps and review action points:

I think the best way forward is ...

So, before the next meeting I'm going to ... and you're going to ...

55.1 Underline the correct word in italics.

- 1 OK, let's *get started* / *make it start*.
- 2 OK, let's *be down with* / *get down to* business.
- 3 The *object* / *purpose* of this meeting is to discuss the market research findings that I circulated to you.
- 4 The *motive* / *reason* we're here today is to discuss improvements to the company website.
- 5 *From* / *In* my point of view, it would be better to finance this project out of the existing budget.
- 6 *As far as I'm concerned* / *As it concerns me*, the timescale for this project is too short.
- 7 Yes, *you have reason* / *you're right*.
- 8 Yes, *I agree* / *I am agree* with you.
- 9 OK, shall we *move to* / *move on to* discuss what kind of promotional materials we're going to use?
- 10 Can we *come back* / *come back to* this point later?
- 11 I think that's *as far as* / *so far as* we can go today.
- 12 I think the best *manner* / *way* forward from here is to approach existing customers and see how much they would pay for this extra service.

55.2 Match each item on the left with the one on the right with the closest meaning. Be careful because several phrases may have a similar meaning.

- | | |
|-----------------|---------------------|
| 1 Actually | The point is |
| 2 Apparently | As a matter of fact |
| 3 Basically | Of course |
| 4 Frankly | It seems that |
| 5 Hopefully | Sorry to say, but |
| 6 Obviously | I imagine |
| 7 Presumably | With any luck |
| 8 Unfortunately | To be honest |

55.3 In each mini-dialogue cross out the word in italics that is less likely or not possible.

- 1 A: The new model is a big improvement.
B: *Of course* / ~~*Hopefully*~~ it's a little more expensive.
- 2 A: Did you go to the Frankfurt Trade Fair?
B: *Unfortunately* / *The main thing is* I didn't go this year. It's a shame because I always find it very interesting.
- 3 A: Do you think she'll get the job?
B: *Apparently* / *To be honest*, I don't think so.
- 4 A: I haven't heard of them before.
B: *Actually* / *With any luck*, they're the fourth biggest company in the market.
- 5 A: Who's going to be the new Team Leader now that David has left?
B: *Basically* / *Presumably* they'll give the job to Freya – she's the most obvious person.
- 6 A: What's going to happen?
B: *It seems that* / *Frankly* I don't care. I'm already applying for other jobs.

55.4 Match the beginning and end of each phrase.

- | | |
|-----------------|--------------------|
| 1 OK, let's get | what you're saying |
| 2 I can see | of this meeting is |
| 3 So, what | sure about that |
| 4 As far | down to business |
| 5 The purpose | about |
| 6 I'm not | as I'm concerned |
-
- | | |
|--------------------------|--------------------|
| 7 Anyway, as I | happen if |
| 8 Can I just | as we can go |
| 9 I'm | was saying |
| 10 I think that's as far | say something |
| 11 I think the best | going to recommend |
| 12 What would | way forward |

55.5 Complete this meeting extract using the phrases in Exercise 55.4 (phrases 1–6 are used first).

CHAIR: Is everybody here now? ¹*OK, let's get down to business*. Do you all have a copy of the agenda? Good. ²_____ to talk about what we're going to do with the net profit we made from last year's trading. Miki, would you like to begin?

MIKI: Thank you. There are really just two options, either to return it to the shareholders as dividends or to reinvest it in the business. ³_____, we should return it to the shareholders. We paid a very small dividend last year.

LOUIS: ⁴_____, Miki, but we're at a crucial stage with the business and we need money for our expansion plans.

MIKI: ⁵_____. I think it's too soon and too risky to expand right now – we need a period of consolidation.

LOUIS: ⁶_____ all those new projects we discussed last week?

Later in the same meeting ...

LOUIS: ⁷ *Anyway, as I was saying* earlier, I think a reasonable compromise would be to return half the profits to the shareholders.

TINA: ⁸_____? The shareholders are expecting more than that.

⁹_____ they start questioning how we run the company?

CHAIR: ¹⁰_____ with this discussion today. ¹¹_____ is for me, as CEO, to meet with the chairman of the Board and sort out the final details. But in principle ¹²_____ a much bigger dividend.

55.6 🎧 08 You are going to hear eight phrases. Listen and repeat.