

Department of common trunk

English for economy use class

Subject 01: Business finance

Business finance It refers to the corpus of funds and credit employed in a business. Business finance is required for purchasing assets, goods, raw materials and for performing all other economic activities.

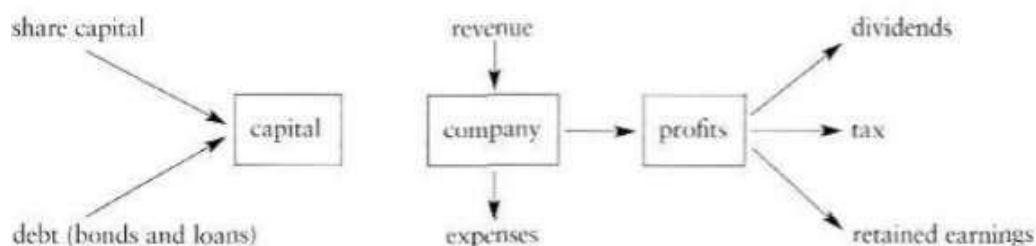
A Capital

When people want to set up or start a company, they need money, called capital. Companies can borrow this money, called a loan, from banks. The loan must be paid back with interest: the amount paid to borrow the money. Capital can also come from issuing shares or equities - certificates representing units of ownership of a company.

The people who invest money in shares are called shareholders and they own part of the company. The money they provide is known as share capital. Individuals and financial institutions, called investors, can also lend money to companies by buying bonds- loans that pay interest and are repaid at a fixed future date.

Money that is owed - that will have to be paid - to other people or businesses is a debt. In accounting, companies' debts are usually called liabilities. Long-term liabilities include bonds; short-term liabilities include debts to suppliers who provide goods or services on credit - that will be paid for later.

The money that a business uses for everyday expenses or has available for spending is called working capital or funds.



Revenue

All the money coming into a company during a given period is revenue. Revenue minus the cost of sales and operating expenses, such as rent and salaries, is known as profit, earnings or net income. The part of its profit that a company pays to its shareholders is a dividend. Companies pay a proportion of their profits to the government as tax, to finance government spending. They also retain, or keep, some of their earnings for future use.

Financial statements

Companies give information about their financial situation in financial statements. The balance sheet shows the company's assets the things it owns; its liabilities - the money it owes; and its capital. The profit and loss account shows the company's revenues and expenses during a particular period, such as three months or a year.

Source : <https://emeritus.org/> & Professional English in Use Finance - MacKenzie