Finance

1. Do you read the business section of the newspaper? What business news do you read? What were some of the important news stories from the world of business in the past year?

2. Read the article. What two businesses is it about?

Two Major Financial Scandals

Recently, several major American companies have been forced to reveal involvement in some major financial irregularities. Some companies don’t record their losses, or record them as loans to specially created subsidiaries. Other companies record normal expenses as capital expenses, and remove them from the profit-and-loss account. In some cases, important flows of finance are simply not recorded at all, and just disappear from the balance sheets. Other accounting discrepancies include understatement of interest payments, fictitious investments, and simply taking cash out of employees’ pensions and social security funds. These are not small amounts of money. They often involve several billions of dollars. Many financial experts also say that these cases are not “mistakes”, but practices that have been occurring for years.

The biggest and most public scandal of recent times was that concerning the energy trading multinational giant Enron. Enron admitted to improperly inflating earnings and hiding debt through a complex system. The company later went bankrupt, and hundreds of people lost their jobs. WorldCom, like Enron, was a symbol of American capitalism in the past decade, with enormous success in the stock market. WorldCom has now admitted that $3.8 billion of operating costs were treated as capital spending, forcing it to restate results for 2001 and the first quarter of 2002. With so many losses, WorldCom had to file for bankruptcy and default on its $35 billion debt. Worldcom and Enron were only two examples of what could be a major crisis for corporate America. Many financial analysts agree that corporations have to “clean up their act” and start behaving more ethically with their finances. Can business meet that challenge?

3. Vocabulary in context. Find the words in the text with the following definitions.

1. to fail to pay money that you owe: ______________________
2. an amount of money that a person, business, or country borrows, especially from a bank: ______________________
3. money that a person, company, organization, etc. loses when it spends more than it earns: ______________________
4. a situation in which the rules have been broken: ______________________
5. a company that is owned by a larger company: ______________________
6. an amount of money that you owe: ______________________
7. a document that shows how much money was received and spent by a company during a particular period of time: ______________________
8. money used in a way that may earn you more money, for example money used for buying property or stock in a company: ______________________
9. an amount of money you spend in order to buy or do something __________________
10. a written statement showing the value of a company at a particular time __________________
11. an amount of money that you collect, save, or invest ______________________
12. money that a company spends on things such as equipment and buildings that it needs to operate as a business ______________________
13. the usual expenses involved in running a business but not including the costs of producing the goods to be sold ______________________
14. a company in this situation has admitted that they have no money and cannot pay what they owe ______________________

4. Finance Word Spiders

When you learn a new word, try to learn other words that go with it. Look at these word partnerships. What word goes in the blanks? Choose from the words in the box.

<table>
<thead>
<tr>
<th>GO</th>
<th>TAKE OUT A</th>
<th>BE IN</th>
<th>FILE FOR</th>
<th>TAKE A</th>
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<tbody>
<tr>
<td>EXPENSES</td>
<td>BE</td>
<td>PAY OFF A</td>
<td>LOSS</td>
<td>DEFAULT ON A</td>
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Choose a local/international example of a company which has been affected by a major scandal. Prepare a presentation for your classmates. Explain the causes of what happened and its possible consequences. Try to use the expressions you have learnt in this lesson. You may want to use the Web links below.
Links:

Enron Scandal

Time magazine, includes a poll, links and many articles:

BusinessWeek online, includes video clips:
http://www.businessweek.com/magazine/toc/02_04/B3767enron.htm

Political humor focusing on Enron:
http://politicalhumor.about.com/cs/enron/

Worldcom

World press review online, Views from Dublin, Manila, Sofia, Havana, Bogotá, Beijing, and Singapore.
http://www.worldpress.org/Americas/660.cfm

Political satire: ‘Financial Scandal Hits Sesame Street; Accountants Never Learned Numbers Past Ten’
http://www.chortler.com/sesame.html
Finance Vocabulary Teacher’s Notes – by Lindsay Clandfield

Level: Intermediate +

Aims: Students learn 14 items of financial lexis. The vocabulary in this lesson is presented in a text, students must try to guess the meanings of the words in context first. There is also a task (an oral presentation) in this lesson which encourages students to use the recently learnt vocabulary. Like many of the other American Vocabulary lessons, this lesson has a cultural sub-aim: in this case, students read about two very famous American companies that went bankrupt in 2002.

Warmer – Business in the news
Ask your students if they ever read the business news. If they do, what do they read? Stock market reports, local or national business news or international business news? If you are doing this vocabulary class in December 2002 or January 2003 ask them what the major business stories where in 2002. If you are doing this activity much later, ask them if they remember any stories of major companies that have gone out of business.
If students don’t mention Worldcom or Enron, write the names of the companies on the board. Do the students know anything about these two companies? Tell them that both were famous in 2002 because they had to close due to a major financial scandal.

Reading
Distribute the worksheet and ask students to read the article. When they have finished, ask them to turn the paper over and explain to a partner what they understood of the article. Allow pairs a little bit of time to do this. Then do feedback with the group, asking one or two students to summarize what they read.
What do the students think? Can anyone in the class add more information to these two business stories?

Vocabulary in context
Tell students to do exercise 2, which involves matching the definition to the word in the text. Tell them to do this alone at first without a dictionary. Tell them to check with a partner, then do feedback on the answers.
Answers:

Finance Collocations
Explain to students that when they learn a new word, they should try to learn other words that go with it (verbs, nouns, prepositions). Do an example with ‘make a loss’ focusing on the noun – point out that this pair, the noun and the verb, often appear together, then ask them to do exercise 2 which will extend their vocabulary.
Answers:
go/be bankrupt / file for bankruptcy
make a loss / run at a loss / take a loss
default on a loan /obtain a loan /take out a loan
run up a debt /pay off a debt /be in debt
incur expenses /cover expenses /all expenses paid

Mini Presentation
Ask if students know of any other companies that have had major financial scandals. Tell them that in the next class they must prepare a presentation about a major financial scandal. The presentation must be in English, but they can research the story in their own language. If you have a lot of students, they could do this activity in pairs or small groups. Ask them to include some of the newly learnt vocabulary in the presentation. Have the presentations in the next class. Tell them to use the links provided or find their own sources.