

Banking

**Competences:**

- > How banks work
- > Dealing with payments
- > Asking for an extension of credit

Case study:

- > Investment Capital: a Ceramic Tile Company Strategy

Grammar and Vocabulary:

- > Defining and non-defining relative clauses
- > *-ing* form or infinitive?
- > Terminology related to banking, payments and reminders

WHAT ARE BANKS?

Warm up

Name some Italian banks. Do you know the names of any foreign banks? What countries are they from? Would you like to work in a bank? Why / Why not?

Banks are financial institutions that **borrow money from individuals and companies** and **lend** it to others who need funds. They act as intermediaries between the people who have been able to **save** money and those who need it for a certain period of time.

In business, banks bridge the gap between the time of production and trade and when the goods are paid for. Banks control most money that is not in circulation as cash because companies and individuals use banks to receive and store their money. Money is less used in the form of ready **cash**. The alternatives to cash all require the **backing** of a bank or other financial institutions. In day to day life, people use **debit cards, credit cards, ATM cards and cheques**, or make **online payments**. In trade, payments are usually made in different forms according to the type of business transaction involved.

As the use of cash decreases, the power and wealth of banks is on the rise, as all these non-cash exchanges involve using their services.

to borrow: prendere in prestito

to lend: dare in prestito

backing: sostegno

ATM card: bancomat



abc BRITISH ENGLISH VS AMERICAN ENGLISH

British

bank interest rate
cash machine
cheque
current account
deposit account
note or banknote
property
social security

American

prime rate
ATM (Automatic Teller Machine)
check
checking account
deposit account or notice account
bill
real estate
welfare

Mortgage: *mutuo*

We do not pronounce the t in mortgage: /ˈmɔː(r)ɡɪdʒ/

Vocabulary

1. Work in pairs. Match the following definitions with the words from the list. Use your general knowledge.

ATM card • cash • cheque • credit card • debit card

1.: a card that allows purchases using money that is in a bank account
2.: a small signed form used to make payments
3.: a card used to withdraw money from a cash machine from a current account
4.: money in the form of banknotes and coins
5.: a card that allows purchases using money borrowed from the bank

Digital Competence

2. Search the Internet to find the ten top banks in the world. Select one and prepare a brief oral presentation on your findings.

The Emergence of British Banking

Bankers from Lombardy, in particular, brought banking to Britain. They came to do business in the City of London, and the street where they lived and did business, Lombard Street, is still in existence as a financial district in London. After about a century of business in London, the Lombards in Italy went bankrupt as they lent money to kings that did not repay the loans. They had to leave Britain and, in the seventeenth century, banking began to be conducted by goldsmiths.

Goldsmiths made jewellery out of gold and needed very safe places in their shops where they kept their gold. Merchants and other people began to bring their own money (in the form of gold and silver coins) to the goldsmiths for safekeeping. The goldsmiths gave a receipt for money deposited, and the holder of the receipt was entitled to get payment whenever they wanted to withdraw the money. These receipts were transferable to others, so that anyone who presented the note could receive the money. So, they passed from hand to hand in exchange for land or goods.



When people borrowed money from the goldsmiths, instead of the goldsmiths giving them actual money they gave them a note, promising to pay the money on demand, just like the receipts for deposits. In other words, they began to issue banknotes.

From this early beginning, the modern banker emerged. Gradually goldsmiths either became 'merchant bankers' and opened banks, or focused only on gold and jewellery.

loan: prestito

to deposit: versare

to withdraw: prelevare

Stop and Check

3. Read the following sentences (1-6) and decide whether they are True (T) or False (F). Correct the false ones.

1. The Lombards went bankrupt because they were owed too much money. T F
2. Goldsmiths became bankers because they weren't making enough money from jewellery. T F
3. When people deposited money with the goldsmiths, they got a receipt. T F
4. The receipts could only be exchanged with the goldsmiths. T F
5. The goldsmiths made money by safekeeping and lending the money out to others. T F
6. Goldsmiths and jewellers are still bankers today. T F

Reading

4. Read the text below and use the word given in capitals at the end of some of the lines to form a word that fits in the gap in the same line.

The History of Banks

The very first banking practice may be traced back to ancient Babylon where people gave their **1.** to priests for safekeeping.

The word 'bank', however, comes from the Latin word 'banca' or 'bancus', the table or counter which early medieval money **2.** used in market places to trade money with their customers. The first bank was established in Venice with guarantee from the State in 1157.

During the Renaissance the **3.** of international trade meant that the banking industry needed to provide **4.** services for merchants to operate abroad. Many of these merchants used their **5.** to become bankers, making loans, transferring funds and **6.** currencies.

As Italy was a European **7.** of trade to the East, sixteenth century Italian bankers from Florence and Lombardy were conducting **8.** all over Europe.

SAVE

LEND

EXPAND
FINANCE

KNOW
CHANGE
CENTRAL

ACTION

THE BANKING SYSTEM

A banking system is a vital structure of a nation's economy, providing capital and services to private individuals and companies, which are essential to the economic development of a country. It is made up of a **central bank** and a variety of **commercial banks** and **other financial institutions**, such as building societies.

CENTRAL BANKS

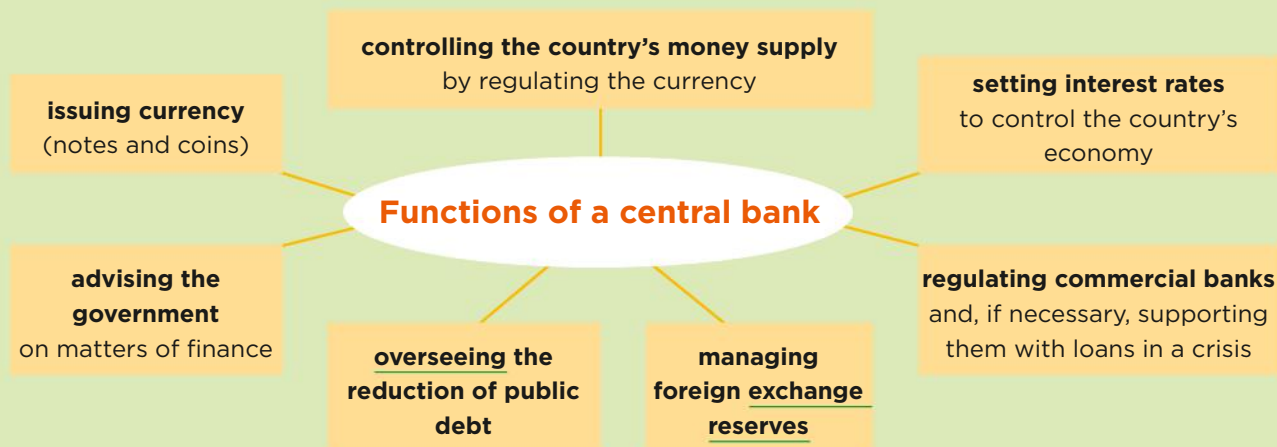
Central banks control the country's monetary system and serve some other functions. They act under the management of directors appointed by the state.

Almost all countries have a central bank, for example **Bank of England**, **Banca d'Italia**, **Federal Reserve System** (USA). The European Union has its central bank which has total control over the monetary policies of the EU member states and the exclusive right to authorise the issue of euro banknotes and coins. Member states physically issue money and coins, but the amount must be authorised by the **European Central Bank**.



? DID YOU KNOW?

Public debt is the money a State borrows from lenders within or outside the country. Governments create debt by issuing government bonds. Less creditworthy countries sometimes borrow directly from international financial institutions.



to appoint: nominare

to issue money: emettere moneta

bond: obbligazione

to oversee: supervisionare

exchange reserve: riserva di denaro in altre valute

Stop and Check

5. Read the text above and answer the following questions.

1. What are the types of institutions that form the banking system?
2. Who is each central bank managed by?
3. What are the main functions of central banks?
 1.
 2.
 3.
 4.
 5.
 6.
 7.
4. Who authorises the issue of euros?

Writing

6. Summarise what a central bank is and what it does in two or three short sentences.

THE MAIN TYPES OF BANKS AND FINANCIAL INSTITUTIONS

Increasing competition and new legislation in the last few decades has meant the banking system has diversified. Traditional commercial banks now compete with an expanding variety of institutions that trade in money.



Commercial and clearing banks

Traditional banks that provide banking services for the general public and businesses. They usually have a network of branches and offer a variety of services. They collect and borrow money from their customers, offer various kinds of current accounts and deposit accounts, lend money in the form of overdrafts or loans, and assist in foreign trade. They are also called clearing banks, which means that they are authorised to exchange cheques, bills of exchange and other means of payment. These banks play a very important role in the commercial activity of the country and have great influence on the national economy.

Merchant banks

Specialised trading banks, with no network of branches. They provide services for large organisations or for the government. They are particularly involved in financing international trade, factoring, leasing, insurance, issuing new stocks and shares, providing financial and investment advice and trading on the commodity and exchange markets.

Savings banks

These specialise in receiving and investing deposits from small savers and businesses. Their main purpose is to encourage saving. They usually offer a higher rate of interest than saving at a commercial bank.

Building societies

Financial institutions that lend money primarily to people who want to buy a home, but also for other purposes. They offer similar services to banks but are different because they are not owned by external shareholders. Building society customers are also members of the society itself and vote on decisions that affect the society. They are found in the United Kingdom, Australia and New Zealand.

App-only banks

New types of banks that are completely online. They are able to pay higher interest rates on deposits and offer a lower rate on loans because without physical branches they have fewer running costs; e.g. they have fewer employees to pay.

Ethical banks

Ethical banks do not deal with customers who make money from trading unfairly or damaging the environment. These banks still aim to make profits but only in ways that make a positive social and environmental impact.

clearing: di compensazione

commodity: materia prima

saver: risparmiatore (savings: risparmi)

shareholder: azionista

running cost: costo di gestione

Stop and Check

7. Read the text above and write which financial institution:

1. provides services to companies supporting social activities:
2. specialises in lending money to people who want to buy a home:
3. specialises in services to small savers and businesses:
4. provides financial services for large organisations or the government:
5. pays higher rates on deposits:
6. provides banking services for the general public and businesses:

Speaking

8. Some words from the text may be unfamiliar and will be explained further in this Unit. Work in pairs and try to guess what these words mean.

- | | | |
|-------------------|-------------|-------------|
| • current account | • overdraft | • factoring |
| • deposit account | • leasing | • shares |

BANKING SERVICES TO PRIVATE INDIVIDUALS

Private individuals use a variety of banking services. Primarily they have a bank account for their day-to-day transactions such as receiving, depositing and withdrawing money, and to make purchases and pay bills. Bank customers have further access to services that advise them how to invest and manage their money. Banks also lend money by arranging loans, credit cards and overdrafts. Virtually all salaries and pension payments made to members of the public go into their bank accounts electronically.

Apart from cash sums held by individuals, banks are custodians of all the population's money.



ATM, DEBIT AND CREDIT CARDS

Banks issue **ATM, Debit and Credit cards** to their customers.

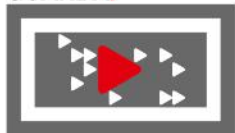
- An **ATM (Automatic Teller Machine) card** is a payment card which enables a customer to access their financial accounts using automatic teller machines (ATMs). The term 'Bancomat' is used for this service in Italy as Bancomat was the name of the first commercial circuit created there in 1983. ATM users can withdraw cash or check their account balance and some ATMs accept cash deposits. The ATM card is also used to pay retailers and service providers (e.g. petrol stations, supermarkets and most shops and restaurants).
- A **debit card** is used for purchases of goods and services without using cash. It is directly linked to the buyer's bank account: the amount paid is taken directly out of that account. This type of card can also be used for Internet purchases. There are also **prepaid debit cards**, whose payments are limited to money the holder has loaded onto them in advance. So, by using a prepaid card, a cardholder can limit the risk to a smaller, controlled sum of money.
- A **credit card** allows the holder to buy goods or services in much the same way as a debit card. The difference is that a credit card actually borrows money from the holder's bank. The bank pays the debt to the vendor and the cardholder pays the money back to the bank at a later time, usually on the 15th of the following month, when they receive an account statement with the list of the transactions carried out in the period.

holder: titolare

vendor: fornitore

Stop and Check

GUARDA!



Video ▶

The Bank Account



9. Read the text above and match the beginnings of the sentences (1-6) with the endings (A-F).

- | | |
|--|---|
| 1. Banking services include bank accounts, | A. but the money spent is not borrowed. |
| 2. Most of the population's money | B. is stored in bank accounts. |
| 3. An ATM card is used to access a bank account, | C. is separate from a bank account. |
| 4. Credit cards are a way to borrow | D. loans and investment advice. |
| 5. Debit cards are similar to credit cards, | E. money from the bank for purchases. |
| 6. The money in prepaid debit cards | F. purchases and using an ATM machine. |

10. Watch the video about opening a bank account and answer the following questions.

1. Why does the girl need a bank account?
2. When do you need your parent's permission for an account?
3. What is a 'bancomat' card called in English?
4. Can you buy things on the Internet with the card?
5. What is the daily withdrawal limit if you go into the bank?

DIGITAL BANKING

New technologies in the banking system, such as **online banking, mobile phone apps, mobile payment systems, text alerts** and **contactless cards** have had a strong impact on the way banks work.

Online banking services and mobile banking apps are offered by all commercial banks and increasingly used by millions of people in their day-to-day life. Using digital processes for banking is practical, however there are some concerns for customers including the reduced personal contact with bank staff and security issues such as phishing and identity theft. Another difficulty is that some customers do not have internet access or are not sufficiently computer literate.

FUTURE OF BANKS

Many customers do their banking using apps and the use of online banking is increasing. The physical structure of banks is also changing. Cashier areas where people used to queue are now smaller or have been replaced with cashpoints, tablets and computer terminals. Meeting spaces have been added for the occasions when customers and bank staff still need to communicate face-to-face, for example when mortgages and loans are negotiated or for investment advice.

App-only (or Digital-only) banks offer accounts that are set up and managed solely via a smartphone app. They have no large branch networks or vast call centres to maintain and offer their customers cost-effective and up-to-date digital account services for making secure transactions with a smartphone. Digital banks regulated by national financial regulatory bodies are considered highly secure and most security problems that do occur are the result of account holders enabling unauthorised access through their own error. An important key to protecting online data is to make sure the username and password are very difficult to steal. Passwords should be regularly updated and login information should never be shared. Most app-only banks feature two-factor authentication, the second authentication factor is a biometric method such as a finger-print.

Technology and service interruptions can make app-only banks suddenly unavailable and a lost phone can mean days without access to a bank account. Currently, app-only banks offer a smaller variety of services compared to traditional banks and because there are hardly any branches you may need to travel a lot further to access one when you are required to meet a member of staff to discuss services such as mortgages and loans.

phishing: truffa su Internet, appropriazione di dati sensibili
cashier: cassiere

cashpoint: sportello bancario automatico
finger-print: impronta digitale



Vocabulary

11. Complete the sentences with the banking terms.

contactless cards • mobile payment systems •
mobile phone apps • online banking • text alerts

- means goods and services can be paid for with a mobile phone.
- are sent to mobile phones to alert customers if their credit card is used.
- is the system enabling bank accounts to be managed by computer or phone app.
- are software applications designed to run on a mobile device.
- can pay for items by waving the card above a reader.

Listening

TR 33

12. Listen to four people talking about how they do their banking and write the number of the speaker (1-4) in the boxes (A-D).

- ☐ Who goes to the local branch of the bank as they appreciate the friendly face-to-face service?
- ☐ Who does all their banking online and uses a mobile phone app?
- ☐ Who always withdraws money from ATMs?
- ☐ Who uses online banking services for everyday procedures but visits the bank to get advice on investments?

INFORMATION TECHNOLOGY IN BANKING

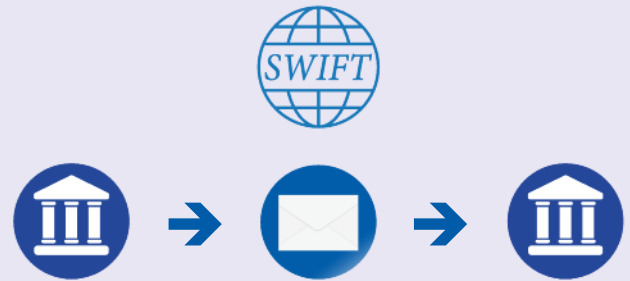
The IT revolution has transformed banking since the 1950s. Before then, all bank transactions and records were paper-based and banks employed huge numbers of staff to manage the work. Until the 1980s, purchases and salary payments were generally done in cash or by cheque and banks held vast amounts of banknotes in their branch safes. Now most money is moved electronically and customers no longer require bankbooks, paper statements and cheque books. Instead they use credit and debit cards, online banking and smartphone apps, and ATMs have taken over many of the functions of cashiers.

safe: cassaforte

SWIFT TRANSFERS

Banks constantly communicate with each other, exchanging documents and money in order to perform their services. Secure checking systems and accurate record keeping is particularly required for international money exchanges between customers.

SWIFT (Society of Worldwide Interbank Financial Telecommunication) **is a messaging system** that runs on a network of financial institutions globally. It is used by 11,000 banks worldwide to communicate information on financial transactions in a secure and standardised way.



BLOCKCHAIN

Blockchain is a digital technology that **manages transactions** that can be **shared between multiple part of a network through a database**. It consists of a growing list of records, called blocks, that are linked using cryptography. This means that untrusted parties can transact business safely without using a middleman, such as a bank. It began to be studied in the early 1990s but it has had practical applications only since 2008. Its potential is huge. As far as the money transfer sector is concerned, blockchain has brought enormous innovations. Blockchain technology allows for a more direct payment flow between the payer and

the beneficiary, even if the subjects of the transaction are located beyond the borders of their own country. The advantages compared to using a bank are that there is no need for costly third party intermediaries and transactions are done almost instantaneously. Today we are witnessing a real financial revolution through the implementation of systems based on the blockchain. This new technology has cut into the profitability of the banks who had served as intermediaries in international transfers. Blockchain technology is expected to affect all sectors of banking and many predict it may even replace banks in the future.

Stop and Check

13. Read the text above and answer the following questions about SWIFT transfers and Blockchains.

1. What does SWIFT stand for?
2. What is SWIFT used for?
3. What is a Blockchain?
4. What are the advantages of a blockchain?

Vocabulary

14. Choose the correct option in these sentences about blockchain technology.

1. Blockchain is a new type of bank / technology.
2. It enables transactions to be made without a database / middleman.
3. It has been functioning since 1990 / 2008.
4. For transfers, blockchain enables direct payments between bank / payer and payee.
5. Blockchain transfers are cheaper / safer and faster than through banks.
6. It is possible that in the future, blockchain will service / replace banks.

BASIC BANKING SERVICES TO BUSINESSES

Warm up

What is the difference between a current account and a deposit account? What services do banks provide to businesses?

Banks are a source of finance to provide funds to start up and run a business. They also offer companies a wide range of services to help them manage their money. In addition, banks can provide information on the financial reliability of potential customers and also financial information, such as the analysis of business trends.

BUSINESS BANK ACCOUNTS

Business and private individuals choose to deposit their money in bank accounts not only because it is safe, but also because the accounts offer services for the management of the money deposited. In return, customers have to pay bank charges and fees.

The main types of bank accounts are: **current accounts** and **deposit accounts**.



CURRENT ACCOUNT

For funds which need to be immediately available to make and receive payments.

Banks offer current account holders the following services:

- **standing orders:** the bank, using funds in the customer's current account, makes regular payments (every month, quarterly, etc.) of bills which are always for the same amount, e.g. payment for insurance, mortgage;
- **direct debits:** the bank makes regular payments of bills which are not always for the same amount, e.g. telephone and gas bills;
- **credit transfers:** are used to pay money into other people's or companies' current accounts or receive payments from other people and businesses;
- **ATM cards, credit cards and cheques.**

Current account holders receive regular statements of account recording all payments into and from their current account over a period of time. Companies have to pay charges to the bank for the use of a current account.

DEPOSIT ACCOUNT

For funds which are not required for immediate use and are left for longer periods in the bank. The bank pays some interest on the account balance on deposit accounts.

FOREIGN CURRENCY ACCOUNT

When companies regularly trade internationally, foreign currency accounts are also provided by their local bank. These are very helpful as they allow companies to **make and receive payments directly in the currency** of the buyer or seller. Companies have to pay charges to the bank for the use of a foreign currency account.

charge: onere

fee: tassa

standing order: ordine permanente

statement of account: estratto conto

account balance: saldo del conto

Stop and Check

15. Read the following sentences (1-5) and decide whether they are True (T) or False (F). Correct the false ones.

1. Businesses have bank accounts to manage their money and keep it safe.
2. Current accounts are used to receive payments.
3. A standing order is when a bank makes regular payments of bills for varying amounts.
4. There are no charges on a current account.
5. Foreign currency accounts are held in foreign countries.

T F

T F

T F

T F

T F

BORROWING MONEY FROM A BANK

Banks lend capital to businesses to set up a company, to expand their business or to protect them during difficult trading periods. Banks may provide capital in the form of **loans, mortgages, overdrafts, leasing and factoring**. These are over short or long term periods depending on the needs of the business and the probability of its long term stability.

Loans

are money that is lent by a bank (or another financial institution). The borrower will have to repay the loan over the agreed period of time. The company has to pay **instalments** to cover the capital sum plus interest. The **interest rate** can be either **fixed** or **variable**. The bank will investigate the financial status of the borrower (income, properties, debts, etc.). It will also require some form of security for the loan, called **collateral**. The bank, for example, may want the borrower to put up a property as security for the loan. This means that if anything goes wrong and the borrower is unable to repay the debt, the bank can take the property to cover their loss.

Mortgages

are a form of **long-term loans** specifically tied to property. It is money the bank lends to the company to buy or improve their premises. The money has to be paid back with interest over a fixed number of years. Due to the large sum of money that is loaned to purchase **real estate**, repayment terms range from 15 to 30 years.



Overdrafts

are a form of **short-term loans**. They allow the company to spend more money than they have in their bank account up to an agreed limit. When the company 'is in the red', that is to say they have a negative amount of cash in their bank account, the account is described as **overdrawn**, and the money owed is called an **overdraft**. Most businesses agree to overdraft facilities because periods of negative cash flow or for financial emergencies are quite common while trading. An overdraft facility is needed for the regular payment of fixed costs, such as salaries. The customer has to pay daily interest on the amount of the overdraft. The main disadvantage of this solution is that the bank manager may cancel the overdraft and ask for it to be repaid at any time.

Vocabulary

16. Match the words (1-7) with their definitions (A-G).

- | | |
|------------------|---|
| 1. overdraft | A. A financial arrangement in which a company pays to use equipment for a period of time. |
| 2. mortgage | B. The amount a bank charges for lending money. |
| 3. loan | C. Money that a bank (or other financial institution) lends for a period of time. |
| 4. collateral | D. A form of security for a loan, for example a building. |
| 5. interest rate | E. Loan facility for a company to take out more money that they have in their account. |
| 6. factoring | F. Money that people borrow to buy housing or land. |
| 7. leasing | G. A bank or another financial institution is given the right to collect on another company's invoice and charges for this operation. |

Leasing

is a method of hiring equipment such as machinery, computers or company cars. The company pays a **premium or rate** for a fixed period of time to the leasing company for the use of the item. At the end of the agreed period, the company usually has the option of buying the equipment or exchanging it for an up-to-date model and renewing the lease. This method has the advantage of spreading payments over a long period of time even if, in the long run, hiring goods is more expensive than buying them. Banks and other financial institutions provide leasing services.

Factoring

is a flexible form of finance by which money is advanced by the bank to a company when they issue new invoices. Businesses may decide to sell their credits at below face value – usually 80% of the value – to the '**factor**' (a bank or a factoring company) in return for immediate cash. The factor is responsible for collecting the money and accepts the risk of non-payment. The advantages to the company are they have immediate cash flow, avoid the risk of not being paid, and they are relieved of the problems connected with the collection of credits which can be difficult, expensive and time-consuming. Factoring is a flexible solution as the amount that can be borrowed from the bank grows directly with sales but its costs are higher than other financing solutions. The disadvantage is that the company loses around 20% of the value of the invoice, which cuts into profits.



**instalment (UK),
installment (USA):** rata
collateral: garanzia
real estate: bene immobiliare
face value: valore nominale

Speaking

Stop and Check

Critical Thinking

Cooperative Learning

- 17.** Prepare a brief oral presentation (2-3 minutes) on the different banking services offered to businesses. Use the texts above to help you.
- 18.** Work in groups. Decide the best banking service in the following situations. Discuss in your group, then compare your answers with the other groups. Be ready to explain your choice and give reasons.
 1. A company has short term difficulties in paying its expenses.
 2. The Board of Directors has decided to build a new warehouse, but the company has only a part of the money it needs.
 3. A manufacturer needs to buy expensive machinery to set up a new production line, but cannot afford the investment at this stage.
 4. A company has invoiced a customer for a large amount of money. The customer has 90 day terms, but they need the money right now.

ETHICAL BANKING



Ethical banking is a sector of the banking industry which takes **ethical considerations** into account **when making business decisions**. An ethical bank is primarily concerned with the social and environmental impacts when investing or granting loans. It encourages social and environmental companies while refusing to work with businesses involved in actions which go against ethical

principles such as environmental damage, the arms trade, animal testing and labour exploitation. In addition to the standard services, they offer advice on ethical investment funds and shares to their customers.

An ethical bank still aims to make money, and many ethical banks have a good track record of profitability.

exploitation: sfruttamento

profitability: redditività

Stop and Check

19. Read the text above and answer the following questions.

1. What is ethical banking?
2. What sort of businesses do these banks support?
3. When do they refuse to support companies?
4. What do they offer customers?
5. Can you name any ethical banks?
6. What are the codes and regulations for ethical banks?

Writing

Digital Competence

20. Choose an ethical bank from those mentioned in the text and research it online. Write notes about the following information.

- history of the bank
- location
- services offered

Speaking FIRST B2

Part 4

21. Read the text on ethical banking and answer the following questions.

1. How do you think ethical banking will affect the policies of regular banks?
2. Should there be an international regulatory body for ethical banks? Why / Why not?
3. How do you think a company could benefit from using an ethical bank?
4. Some people say ethical banking is just a form of marketing. Do you agree?
5. What environmental benefits do you think might occur when an ethical bank is used?



Some important ethical banks around the world are: Triodos Bank, a leading bank based in the Netherlands which has branches all over Europe, The Cooperative Bank, whose headquarters are in Manchester (UK),

Banca Etica (Italy and Spain), First Green Bank (USA), GLS Bank (Germany) and Cultura Bank (Norway). There are no codes or regulations in place for defining an ethical bank, each institution decides on its own code of ethics.

Reading FIRST

Part 3

- 22.** For questions 1-8, read the text below. Use the word given in capitals at the end of some of the lines to form a word that fits in the gap in the same line. There is an example at the beginning (0).

Co-operative Banks

Co-operative banks were **0. established** to promote the economic interest of their members, who are their customers. They offer similar financial products to retail and **1.** banks, but on a cooperative basis, in that the bank's customers own a portion of the bank and are also involved in the **2.** making process. Their aim is to offer quality products and services at **3.** prices. Co-operative banks distribute little of their profit, adding it to reserves or lending it out instead. They **4.** in Europe in the 19th century when the financial services sector tended to **5.** farmers and small businesses, and focused on **6.** individuals and large enterprises in urban areas.

The co-operative banking concept started in Germany and **7.** spread to the rest of Europe. Different co-operative banking models emerged, with some supported by **8.**, but the basic structure of supporting their customers and members is the same.

ESTABLISH

COMMERCE

DECIDE
REASON

ORIGIN

EXCLUSION
WEALTH

GRADUAL

GOVERN

(Adapted from: www.economics.rabobank.com)

MICROCREDIT



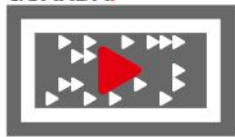
Some banks have specialised in microcredit. This is the giving of small loans called **microloans** to people who would normally find it impossible to obtain a loan because they do not meet the traditional requirements for credit, such as collateral or steady income. Microloans are particularly directed at people such as immigrants, the unemployed and the extremely poor to allow them to become self-employed.

to meet a requirement: soddisfare un requisito

CAN YOU NOT HAVE A BANK ACCOUNT?

According to data released by the World Bank, **1.7 billion** adults worldwide do not have access to a bank account, and 70% of them are women. The majority of these people live in developing countries but there are also poor people in high-income economies without bank accounts. Because many of these people do own a mobile phone, they can now participate in online banking. If organisations made more use of digital technology and paid the salaries, pensions and social benefits directly into mobile accounts, it would not only improve the lives of many people, but reduce corruption and improve the efficiency of governments.

GUARDA!



Extra Activities
Micro-finance
in Georgia

abc EMPOWERMENT

Financial empowerment: improving the financial security of low-income people, particularly women, through microloans and business education.

It empowers them to independently create sustainable businesses and employment in local communities.



Stop and Check

23. Read the text above and on the next page on microcredit and answer the following questions.

1. What is microcredit?
2. Who are microloans particularly directed to?
3. When and where was the Grameen Bank founded?
4. How can microloans promote the growth of communities?
5. What does Grameen mean?
6. Do traditional banks find microcredit profitable?

Listening

TR 34

24. Listen to three farmers who have improved their financial situations with help from the Grameen Foundation and complete the table.

Name	What country?	What do they grow?	How did Grameen help?
Maud	1.	2.	Supplied her with an 3. to give her information about pest control.
Charles	4.	5.	He got a 6. to buy fertilizer and pay for labour.
Alice	7.	8., okra, aubergine and pepper.	She bought better 9. to increase her yield (the amount of crop she can grow).

The idea of microcredit came from Professor Muhammad Yunus who founded the Grameen Bank in Bangladesh in 1986 (*Grameen* is a Bengali word meaning 'of the village'). His objective was to promote the growth and well-being of entire communities by enabling the poor to get access credit to establish businesses. The success of the Grameen Bank has inspired similar projects in both developing and industrialised nations.

Microcredit is gaining credibility in the finance industry. Many traditional finance organisations are planning and creating on microcredit projects as a source of future growth.



Reading

25. Read the text below on the story of the Grameen Foundation and then decide whether the following sentences (1-6) are True (T) or False (F). Correct the false ones.

The Grameen Foundation

The Grameen Foundation is a leader in using microcredit to fight poverty on a large scale. In 2006 Yunus and the Grameen Bank won the Nobel Peace Prize for their contribution to the developing world economy. The Grameen Foundation works with local partners who recruit, train, equip and manage Community Agent networks. These agents reach people who do not have the Internet, smartphones or the ability to read, and give them access to digital banking services. These people, mainly women, would not normally qualify for traditional banking credit. Unlike commercial loans, no collateral is required for a

microloan, however, interest for the loans made to their clients is charged like other financial institutions. A microloan is usually repaid within six months to a year. Those funds are then recycled as other loans, keeping money working and in the hands of borrowers. For example, a woman could borrow \$50 to buy chickens so that she can sell their eggs. As her business grows and diversifies, she begins to earn enough to improve the living conditions of herself and her family. Microfinance boasts very high repayment rates.

Why women? Studies have shown that women use the profits from their businesses

to send their children to school, improve their family's living conditions and nutrition and expand their businesses, employing others in the process. Statistically, they have proven to be more reliable at repaying their loans than men. In 2018 the Grameen Foundation launched WAGE, a global programme to advance the status of women and girls worldwide. WAGE aims to support women's economic empowerment, prevent gender-based violence and advance women's roles in peacebuilding, mediation and reform processes.

to boast: vantare

- | | |
|---|-----|
| 1. Collateral is required for a microloan. | T F |
| 2. Microfinance institutions charge interest on the loans they make to their clients. | T F |
| 3. Only a very small percentage of micro loans are repaid by borrowers. | T F |
| 4. Repayments are used to finance other loans. | T F |
| 5. Microloans are usually repaid within five years. | T F |
| 6. Both men and women are equally as reliable for repayments. | T F |

Extra Activities
Crashing Barriers

Writing

Digital
Competence

26. Visit the website of the Grameen Foundation and go to the page Digital Financial Services. Read it and take notes. Write a report on why Grameen especially supports poor rural women to get access to digital finances.

PAYMENTS

An important part of any business relationship is the management of payments that takes place when a buyer and seller are on **open account terms**. This is a payment term where the buyer promises to pay the seller within a certain number of days and the buyer has access to the goods before paying. This is done through a **statement of account**. Should the buyer fail to pay by the due date, a **reminder** – or a number of reminders – are sent from the seller to the buyer. If the buyer is in real difficulty, they may ask for an **extension of credit**.



STATEMENT OF ACCOUNT

When a buyer deals with a supplier on a regular basis, the supplier sends the buyer a statement of account, usually every month or quarterly (every three months). This document, which is similar to a bank statement of account, tells the buyer how much they have spent and how much they owe the supplier.

This process has two purposes:

- **To enable the customer to compare their record with the statement of account.** If the buyer or the supplier finds an error in the statement, they can agree to correct it with a **debit note** or a **credit note**. A debit note is sent to a customer if they have been undercharged because of an accounting mistake. A credit note is sent to the customer if they have been overcharged by mistake or when damaged or defective goods are returned.

- **To remind the customer that a certain amount of money is still due.** Therefore, the statement of account is also used as a request for payment.

A statement of account shows the following:

- The **balance owing/account rendered** – the amount of money still due on the first day of the month, if any.
- All **charges** of the month(s) shown in invoices or other documents (e.g. debit notes) issued by the supplier.
- All **credits** for the month(s), shown either by payments made or by credit notes issued to the buyer.
- The **closing/final balance** which shows the amount of money due at the date of the statement.

to owe: dovere, essere debitore di

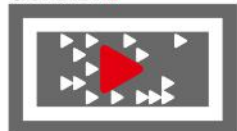
to undercharge: far pagare di meno

to overcharge: far pagare di più

Listening

TR 35

GUARDA!



27. Listen to an accountant talking to a friend about her job at a plastics manufacturer and complete the sentences.

1. The accountant works in the of a plastics producer.
2. She produces the for the products sold.
3. She also produces statements of accounts and notes for customers.
4. She gives the directors monthly and estimated income reports.
5. If an invoice isn't paid, the customer is sent a second after 30 days.
6. If the invoice remains unpaid the company has to decide whether to take *

Vocabulary

28. Complete the sentences with the words from the list.

credit note • overcharged • debit note • closing/final balance • issued

1. We are sending you a for the defective vases you returned.
2. Thank you for advising us that you were on Invoice No. 7843 because we had not included your agreed discount of 5%.
3. Please receive our referring to our invoice No. 4567 where item 324 has been undercharged due to an accounting overview. We apologise for the inconvenience.
4. We apologise that your previous invoice was without an invoice number. A replacement invoice will be sent today.
5. Please find attached your monthly account statement which shows a of £2,000.

Looking at documents: Statement of Account

Gordon & Tayler Ltd Dalton Works 19 Stevenson Street, Liverpool L1 0AA tel +44 0151 472 7320	White & Sons 42 Castle Lane London SE 3TY	STATEMENT OF ACCOUNT Account No. 635921 Date: 30 th September 20..		
Date 20...	Details	Debit £	Credit £	Balance £
01.09.20..	Account rendered			136.00
13.09.20..	Invoice No. 378	250.00		386.00
21.09.20..	Cheque received		100.00	286.00
23.09.20..	Debit Note F33	55.00		341.00
29.09.20..	Credit Note G42		40.00	301.00
E&O.E	Terms: 10 days		Amount due: 301.00	

E&O.E (Errors and Omissions excepted): salvo errori o omissioni

Stop and Check

Critical Thinking

29. Look at the statement of account above and find:

- the sum still due at the beginning of the period covered:
- the two types of debit for the whole period:
- the two types of credit for the whole period:
- the closing balance:

Vocabulary

30. Read the two emails below that came with a statement of account attached and complete them with the words from the lists.

A. due • grant • September • settle • statement

B. attach • hope • due • settled • settlement

_ □ ☒

Dear Sirs,

We attach the 1. of account referring to all transactions during 2.

If you 3. the amount 4. within 15 days, we will 5. you a 2% discount as agreed.

Yours faithfully,
Dorothea Jones

_ □ ☒

Dear Sirs,

According to our records, your statement of account referring to all transactions in September has not been 1.

We 2. the statement of account again which shows the amount 3. to be £301.00. We 4. to receive an early 5.

Best regards,
David Carr

Vocabulary

31. Complete the table with the missing words. Use a dictionary to help you. Remember the ending -ee refers to the person receiving the action, the endings -er/-or refers to the person carrying out the action.

VERB	NOUN	PERSON
to settle	1.	settler
to pay	2.	3. (the person receiving payment) 4. (the person who pays)
to credit	5.	creditor
to debit	debt	6.
to state	7.	X

PAYMENT REMINDERS

The supplier may sometimes find it necessary to solicit overdue payment.
The supplier, if a customer fails to pay on time, will:

send the buyer a first reminder.

The tone is friendly and understanding, and hints at the possibility that the customer may have overlooked his debt.

if no answer is received, send a second reminder.

The tone and the style will be neutral but insistent.

if necessary, send a third reminder.

The third and final reminder informs the customer that legal action will be taken unless a remittance is received without delay. The tone is formal.

A

B

_ □ ✉

Date: 30th August 2023

Subject: Reminder

Dear Mr Wilkinson,

We are extremely concerned that you have not responded to our two previous requests for payment dated 26th July and 10th August related to our invoice No. 82/D, due for payment on 6th July.

Although we have never had cause for complaint in our dealings with your company in the past, you will understand that we cannot allow the amount in question to remain unpaid.

Please note that this is a final reminder and that, unless we receive payment or a satisfactory explanation without delay, we shall be obliged to take legal action.

Yours sincerely,
Vanessa Vandini

_ □ ✉

Date: 10th August 2023

Subject: Reminder

Dear Mr Wilkinson,

We wish to call your attention to our email of 26th July requesting payment of Invoice No. 82/D dated 6th of June for the amount of £6,455.00.

As our credit is still outstanding we would welcome an explanation for this unusual delay in payment, and ask once again to submit the remittance as soon as possible.

Yours sincerely,
Vanessa Vandini

C

_ □ ✉

Date: 26th July 2023

Subject: Reminder

Dear Mr Wilkinson,

According to our records, we have not received the payment for Invoice No. 82/D dated 6th June for the amount of £6,455.00.

We wish to remind you that the terms of trade for this order were payment by bank transfer at 30 days from date of invoice. The payment is now 20 days overdue. Undoubtedly it is through an oversight in your accounting department that our credit has been overlooked.

We enclose a copy of the invoice in question and we look forward to receiving the remittance as soon as possible.

Yours sincerely,
Vanessa Vandini

overdue: scaduto

to hint at: accennare, alludere a

to overlook: lasciarsi sfuggire, avere una svista

remittance: pagamento
dealing (equivalent of business transaction):

operazione commerciale

outstanding: in sospeso

oversight: svista

Stop and Check

32. Read the three emails above and decide which is:

- | | | | |
|----------------------|----------------------------|----------------------------|----------------------------|
| 1. a first reminder | <input type="checkbox"/> A | <input type="checkbox"/> B | <input type="checkbox"/> C |
| 2. a second reminder | <input type="checkbox"/> A | <input type="checkbox"/> B | <input type="checkbox"/> C |
| 3. a final reminder | <input type="checkbox"/> A | <input type="checkbox"/> B | <input type="checkbox"/> C |

Mediation

33. How did you decide the order of the emails in exercise 32? Work in pairs and point out the tone and style in the three reminders that led you to your decision.

HOW TO WRITE A REMINDER

A reminder is divided into paragraphs and usually includes the following points.

Useful Language

1.

We are writing with reference to our

- invoice No. ...
- statement No. ...

which

- was due for payment on...
- has not been settled.

2.

We

- very much regret
- are surprised / extremely concerned

- that we have received no reply to our email of...
- in which we asked you for the payment of...

3.

We would appreciate an explanation of your failure to settle the account, and...

Undoubtedly our account has been overlooked due to an oversight on your part,

- as you have always met your obligations promptly.
- as you have always effected payment on time.
- and we attach the invoice in question.

4.

Although we have never had any cause for complaint in our dealings with your company in the past, we cannot allow this amount to remain unpaid.

We

- ask you to give the matter your immediate attention.
- must insist on receiving a remittance without delay.

- Unless we
- If we do not
- Should we not

receive

- immediate payment,
- payment within (ten) days,

- we shall be obliged / compelled to...

- take legal action / steps.
- enforce payment by law.

Critical Thinking

34. Complete the Useful Language section above with the correct paragraph heading from the list below.

- Reference to previous reminders, if any
- Request for an explanation
- Reminder of payment
- Request for settlement and legal action, if any

Writing

35. Work in pairs. Imagine you both work for the Accounts Department of a big Italian company. One of you writes a first reminder, the other a second reminder to a regular foreign customer asking them to settle an overdue account. Use the notes and add all the necessary information. Your tone in the second reminder should be more formal and insistent. After writing, swap the emails and edit them underlining the strong and the weak points you may notice.

Date of first reminder: 17th October
Date of second: 30th October

Invoice No. 18/F
Date of invoice: 2nd September
Amount of invoice: Euro 3,000.00
Payment term: draft at 30 days
Payment due on: 2nd October

Writing

36. It is now 15th November. The customer in exercise 35 still has not responded. Write a third reminder threatening to take legal action. As you are a large company, you have a team of solicitors. Add all the necessary information.

REQUESTS FOR EXTENSION OF CREDIT

The buyer usually replies to the first reminder of late payment if they are willing to settle their account. If a customer knows that they will not be able to settle their account promptly, they need to write to or call the supplier to explain their financial difficulties and ask for an **extension of credit**.

Reasons for inability to pay may include:

- difficulty in collecting payments from customers;
- the bankruptcy of one of their major customers;
- a drop in market demand;
- a long strike that has severely disrupted the company's activities;
- a financial crisis;
- an economic crisis;
- a pandemic;
- a fire / flood or any other event that has recently damaged the company's warehouse.

FINANCIAL CRISIS VS ECONOMIC CRISIS

A **financial crisis** is a situation when asset values fall rapidly in an economy, such as the failure of the mortgage market in the USA in 2008.

An **economic crisis** is when a country or countries experience a sudden downturn across all industries and sectors as a result of a financial crisis, as what happened in 2009.

assets: azioni, patrimonio

delayed payment: pagamento posticipato

_ □ ☒

Subject: Request for extension of credit

Dear Ms Vandini,

I am writing with reference to your email of 6th September, in which you requested settlement of Invoice No. 82/D.

Unfortunately, we are at present unable to meet our obligations. The difficulties are due to a drop in market demand, which is causing us severe financial problems.

Much to our regret, we must ask you to extend our credit to the end of September.

I apologise for the inconvenience we have caused you but, as we have always been punctual in settling our accounts, we trust you will understand our present situation and hope you will accept our request for delayed payment.

Yours sincerely,
Robert Wilkinson

Vocabulary

37. Read the email below and choose the correct answer for each gap, as in the example.

_ □ ☒

Dear Mrs Henderson,

We have **0.** A your reminder about non-settlement of invoice No. 86, which was **1.** on 8th February.

I sincerely apologise for the delay in **2.** of the amount due.

Unfortunately, we are having financial problems because of the **3.** of one of our main customers. Their debt with us was quite large and as a result we are having serious difficulties in **4.** our suppliers.

We are therefore compelled to ask you for a(n) **5.** of credit for a further 60 days.

I do apologise once more for the inconvenience we have caused you, but, in **6.** of our longstanding relationship, I hope you will accept our request to delay payment.

Yours sincerely,
David Altman

- | | | | |
|-----------------------------|----------------|--------------|------------------|
| 0. <u>A</u> received | B. obtained | C. get | D. acknowledge |
| 1. A. owing | B. overdraft | C. due | D. oversight |
| 2. A. giving | B. settling | C. pay | D. settlement |
| 3. A. bankruptcy | B. difficult | C. financial | D. finance |
| 4. A. payment | B. pay | C. paid | D. paying |
| 5. A. extension | B. postpone | C. defer | D. delay |
| 6. A. regard | B. considering | C. reference | D. consideration |

HOW TO WRITE A REQUEST FOR AN EXTENSION OF CREDIT

A request for an extension of credit is divided into paragraphs and usually includes the following points.

Useful Language

1.

We are writing

- in reply to your email of... in which you draw your attention to our outstanding account.
- with reference to your request for payment of...

2.

- Unfortunately,
- We are sorry that
- We regret that

- we are at present unable to
- we cannot

- meet our obligations.
- clear our debt.

This difficulty is due to...

We wish to apologise for not settling the account on time...

3.

We would

- be grateful if
- appreciate if

- you would allow us to postpone payment until...
- you would grant us an extension of credit for a further (30) days.

Much to our regret,

we are compelled to ask you to extend our credit terms to (end of May).

4.

As we have always been punctual in settling our accounts, we hope you will give us assistance in the matter.

In consideration of our long-standing business relationship, we trust you will understand our present situation and accept our request to delay payment.

Critical Thinking

38. Complete the Useful Language section above with the correct paragraph heading from the list below.

- Apologies for delay in payment
- Reference to reminder
- Reference to previously positive business relationship/request for cooperation
- Request for extension of credit

Vocabulary

39. Complete the sentences with the correct prepositions.

- In reply your email 9th February, I apologise the delay payment your Invoice No 93/G, which was due 15th January.
- The delay is due difficulty collecting payments our customers.
- Much our regret, we must ask you to grant us an extension credit a further 30 days.
- Would it be possible us to extend our credit terms the end of this month?

Writing

40. You are Barbara Vitali and work for Italia Arte Srl (b.vitali@italiaarte.it).

Ms Penny Quindlen (penny.quindlen@antiquetrade.com) from Antiques Trade Ltd has sent you a reminder of payment (Invoice No. 84/C, dated 15th March, due on 15th February). Write back asking for an extension of credit:

- give reasons for your temporary difficulties;
- offer payment at 30 days for half the amount and at 60 days for the balance;
- ask for their cooperation in the matter;
- express the hope that your request will be accepted.

REMINDERS AND EXTENSION OF CREDIT ON THE PHONE

Companies often contact their creditors by telephone to follow up on late payments. This personal contact can be useful to remain on good terms with a client, and may encourage a debtor to pay more quickly. A debtor is more likely to say why there is a delay. So, you can better understand if you will be paid.



abc HOW AND WHEN TO PAY

HOW:

- **in advance** (in anticipo)
*You will need to pay **in advance** for any orders made.*
- **by instalments** (a rate)
*Payments are to be made in monthly **instalments** of \$359.*
- **on sight** (a vista)
*Payment is to be made **on sight**, that is, when the goods are delivered.*

- **cash payment** (in contanti)
*We made a **cash payment** for the goods.*
- **down payment** (deposito anticipato)
*Before we place your order, we will need a 10% **down payment**.*

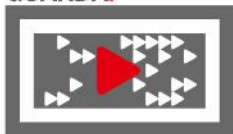
WHEN:

*The payment is due on 24th July.
Payment **must be effected** by 23th May.
Payment **will be effected within** a week.*

Listening INVALSI B1

TR 36

GUARDA!



- 41.** Listen to a phone conversation between an accounts department and a creditor who is late in paying an invoice. First you will have one minute to study the task below, then you will hear the recording twice.

While listening, answer the questions (1-9) using a maximum of four words.

Write your answers in the spaces provided.

The first one (0) has been done for you.

After the second listening, you will have one minute to check your answers.

0. Where does Sarah Chapman work?
1. Which invoice is Richard calling about?
2. What problem is Sarah's company having?
3. When does Sarah expect her customer to pay?
4. What kind of difficulty does Richard ask about?
5. What does Sarah ask Richard for?
6. How much down payment does Sarah offer?
7. What time extension does Richard give?
8. When will Sarah make the first payment?
9. What must all future payments be?

Black Studios

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Listening

TR 37

- 42.** Richard Mailer calls Sara Chapman back after two weeks. Listen to the telephone conversation. Tick (✓) the correct sentences.

1. ☐ The original invoice from Bateman and Co was for £10,000.
2. ☐ Black Studios have paid part of the invoice.
3. ☐ Black Studios still owe £7,000.
4. ☐ Richard had agreed to extend credit for six weeks.
5. ☐ Sarah is waiting on a payment from a client.
6. ☐ Richard insists on receiving the balance today.

Useful Language in Oral Practice

SUPPLIER

TO ASK FOR EXPLANATION FOR DELAY IN PAYMENT

- I am calling about the late payment of invoice...
- I just wanted to remind you that your first instalment is... days overdue.
- Is there a valid reason?

TO ACCEPT A REQUEST FOR AN EXTENSION OF CREDIT

- Yes, that should be OK, if you guarantee that...
- Yes, there's no problem, as you've always met your obligations.

TO REFUSE A REQUEST FOR EXTENSION OF CREDIT

- No, I am sorry, we can't accept that. We've already granted you an extension...
- No, I'm sorry. We're having some liquidity problems ourselves.
- No, I am sorry. I understand your situation, but...

CUSTOMER

TO APOLOGISE FOR THE DELAY IN PAYMENT

- I am really/terribly sorry about the delay...
- I do apologise for the delay but...

TO GIVE AN EXPLANATION FOR DELAY IN PAYMENT

- Uhm... well, I think it's just an oversight on the part of our Accounts Department.
- I'm afraid we've had financial problems recently due to...
- I'm terribly sorry, but we've been badly affected by a flood/fire which damaged...

TO PROMISE PROMPT PAYMENT

- I assure you that the outstanding amount will definitely be settled by (30th May).
- I'll immediately instruct our bank to send you a Swift bank transfer for the total amount/in full payment of Invoice No.

TO ASK FOR AN EXTENSION OF CREDIT

- Would it be possible for us to have an extension of credit of... days?
- Would it be possible to postpone our payment to...?

REAL WORLD TASK

PAYMENT PROBLEMS

Digital Competence

- 43.** The Canadian company Joyya is having problems with their customer Buy Low Food because they are not paying their invoices regularly. Buy Low Food is a large supermarket chain and is a major customer for Joyya. Both companies want to remain on good terms, but Joyya faces financial difficulty if Buy Low Food continues to be slow in making payments.
Look at the relative websites to get to know the companies.

Mediation

- 44.** Work in pairs. One of you is the Accounts Manager at Joyya, the supplier (A), the other is the Accounts Manager at the buyer Buy Low (B) also in Canada. Read your role card and create the phone call. You must come to an agreement. Use the Useful Language section above and the information you found on the websites to help you. Act the dialogue out, then switch roles and repeat. You can video-record it and show it to your teacher or to the class.

Student A: Supplier

You are Belinda Martin, Accounts Manager at Joyya. You have been working with Buy Low Food for years but now your customer has not settled their most recent invoices. Phone your customer to ask why the invoices have not been paid. Do not accept their first proposal but agree on a second one which is acceptable and quite safe for you.

Student B: Customer

You are Samuel Tremblay, Accounts Manager at Buy Low Food. You receive the phone call from Belinda Martin and apologise for the delay in payment. Explain the reasons for your temporary financial difficulties and ask for an extension of credit. Listen to Belinda Martin's initial refusal and make another proposal to get a payment extension. Try to find an acceptable solution.

Writing

- 45.** You are Belinda Martin. Unfortunately Buy Low has failed to make the payment as promised in your telephone conversation in Ex. 45, in spite of the extension you gave. As this situation is putting your company's finances at risk, write a reminder where you state you will be obliged to take legal action if the customer does not promptly pay what is due.

INVESTMENT CAPITAL

A CERAMIC TILE COMPANY STRATEGY

Ceramica Sabbatini is an Italian ceramic company in the north of Italy specialised in high quality porcelain stoneware. It has customers in over 130 countries due to a vast sales network and the strength of eight corporate brands, the largest of which is in the United States. The company decided to set up a new production line at their headquarters in Italy to produce large, thin tiles in laminated stoneware that are exceptionally hard. This new technology enables the tiles to be used as flooring in high impact areas. For the new tile production, the company planned to build a new factory with production line facilities. The company's business plan estimated costs at € 5 million, which would be financed through a leasing agreement over a 12-year period. Construction would be less than one year.

The new production line was expected to increase company turnover by € 2 million per year, of which 80% would come from abroad. This would attract a new customer base made up of suppliers for the building of shopping centres, offices, airports and hospitals.

Additional costs would include the initial preparation for the building of the factory, which involved the demolition of old buildings and now obsolete systems.

porcelain stoneware: gres porcellanato

corporate brands: marchi aziendali

laminated stoneware: gres laminato



Reading

1. Read the following sentences (1-6) and decide whether they are True (T) or False (F). Correct the false ones.

1. Ceramica Sabbatini is a large, established ceramics company.
2. The new line of tiles would be produced in the current factory.
3. The increased turnover from the new product would mainly be from Italy.
4. The €500,000 overdraft facility was to be for one year.
5. The operation would make use of leasing, financing and factoring.
6. Two banks were confirmed as partners to manage the operation.

T	F
T	F
T	F
T	F
T	F
T	F



Ceramica Sabbatini planned to request an **overdraft** of €500,000 from the bank that would support the entire operation. The overdraft facility would be replaced after one year with the **leasing** financing to build the factory, and with the **factoring** of orders the company expected to receive from large international clients.

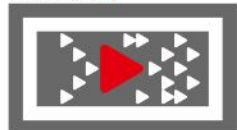
The **business plan** was presented to the three major banks of which Ceramica Sabbatini was already a client,

and two immediately declared interest in the operation. After evaluating the terms and conditions offered by these two banking partners, Ceramica Sabbatini decided to hand over the whole operation to the bank which offered the most competitive conditions. In addition, the chosen bank has foreign branches, in particular in Germany, which is considered the main potential market for the new product.

Listening

TR 38

GUARDA!



2. Eighteen months after the initial investment, the Chairman of Ceramica Sabbatini is speaking to stakeholders. He outlines the results obtained so far and the achievements they foresee for the following year. Read and listen to part of the Chairman's speech and complete the text below with the word(s) you hear.

Firstly, I would like to talk about the new production line for the laminated stoneware tiles. The line has been running since 1. and our turnover has increased by 2. euros, so we are very satisfied with that as it is well in line with our projections. We are certain that this will increase to 3. euros or more by the end of the year. Note that sales have already shown a tendency towards exports and they are even better than we expected. More than 4. of the sales were abroad, mostly to 5. and other northern European countries, as the tiles we produce on that line seem to be something that these countries really like the look of, as well as appreciating their 6. We need to take advantage of this demand for our products in these zones. As a result we have hired two new area managers, one for Germany and one for 7.

Speaking

Digital
Competence

3. Italy, Spain and China are the world leaders in the production of tiles. Select a tile company online and prepare a brief oral presentation where you describe the business to the class. Include the following information (4 minutes).

- > The company name, location and short history
- > The current turnover
- > Number of employees
- > What types of tiles are produced
- > Where their markets are

PART 1

Reading Comprehension

Going Cashless

We should welcome the decline of banknotes and coins in the coronavirus crisis

Life has changed under lockdown in 2020 due to the Covid-19 pandemic. One activity in particular has become rarer. Britons are making fewer trips to the cash machine. According to Link, which runs the ATM network, the volume of withdrawals has declined by 62% since the beginning of the crisis. Even when the economy eventually recovers, the use of cash is likely to continue to decline. The government should actively encourage this shift. Though it might initially seem unfamiliar to carry no notes or coins, there will be big gains in economic efficiency and social welfare if we become a cashless society.

Debit card payments overtook cash in volume terms as the most popular form of payment in 2017. One reason for the decline of cash is the closure of many shops and the shift to online shopping. Another is hygiene. Britain's new generation of polymer banknotes may be cleaner than paper ones but people still prefer to touch nothing when paying across the counter. Health experts believe that the virus can stay on notes and coins just as on other surfaces. Some shops are refusing cash as payment, as they are fully entitled to do. This clear preference for electronic payment will be widely shared in the retail sector and speed the decline of cash in an age of social distancing. The government should take advantage of this trend and aim to eliminate cash by a specified date of, say, 2030.



A model is Sweden, where 94% of transactions are cashless. Sweden has admittedly deliberately slowed down its aim for a cashless society so that poorer people (who often do not have bank accounts) and the elderly are not disadvantaged. It is vital that no one lacks access to a country's payment systems, but this problem can be solved. Banks are already required to provide basic accounts to people lacking a good credit history. To provide a debit card, with no overdraft facility, or even a basic smartphone on demand to anyone who does not qualify for a standard product is a reasonable expectation. In Sweden, homeless people have a badge carrying a payment code that people can swipe if they want to give them money.

There are wider advantages to a cashless economy. First, cash works to the benefit not of the vulnerable but of the criminal. Drug dealers and terrorists prefer to conduct business using high-denomination notes, which are portable and not easily traceable. Second, a cashless society will have less tax evasion. The black economy will cease to function and there will be more money for public services. The final step of abolishing cash can wait but the movement towards a cash-free society will make the economy work better, faster and more hygienically. In every sense, it will help to spell the end of dirty money.

(Adapted from: *The Times*, 2020)

1. Read the text and choose the correct answer (A, B, C or D).

1. The use of cash in Britain

- A. has been overtaken by online payments.
- B. is expected to continue to decline.
- C. is only the result of the lockdown.
- D. means big gains in economic efficiency.

2. The article uses Sweden as an example because

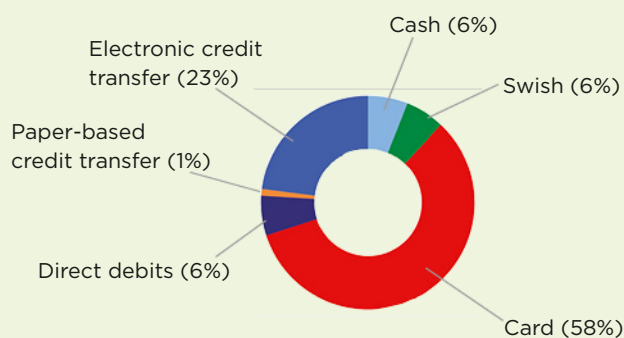
- A. its citizens use cash 80% of the time.
- B. it plans to be cashless by 2030.
- C. it has a low percentage of cash transactions.
- D. its homeless people are given debit cards.

3. In the final sentence, dirty money refers to

- A. the legal uses of cash.
- B. the fact that bank notes are hygienic.
- C. cashless transactions in the black economy.
- D. both the unhygienic and criminal uses of cash.



MOST PAYMENTS IN SWEDEN ARE CARD PAYMENTS



Source: Swedish central bank

Card refers to current account card/cash card.
Swish is payment made by reading a QR code with a mobile phone or other device.
Electronic credit transfer is credit card payment.

2. Analyse the pie chart and answer the questions. Use complete sentences and your own words.

Sweden has the highest use of non-cash payment forms in the world. What forms do these payments take and in what proportions? What future direction do you predict these uses may take?

3. Answer the following question. Use complete sentences and your own words.

How would a cashless society affect the functioning of criminal organisations? Give examples of activities which would be affected.

PART 2

Written Production

4. Choose one of the following tasks.

A. You are a financial expert who has been asked by the British Government how the Covid-19 pandemic has changed the use of cash by businesses and individuals. Write a **report** of about 200-300 words.

B. Read again the final statement of the article.

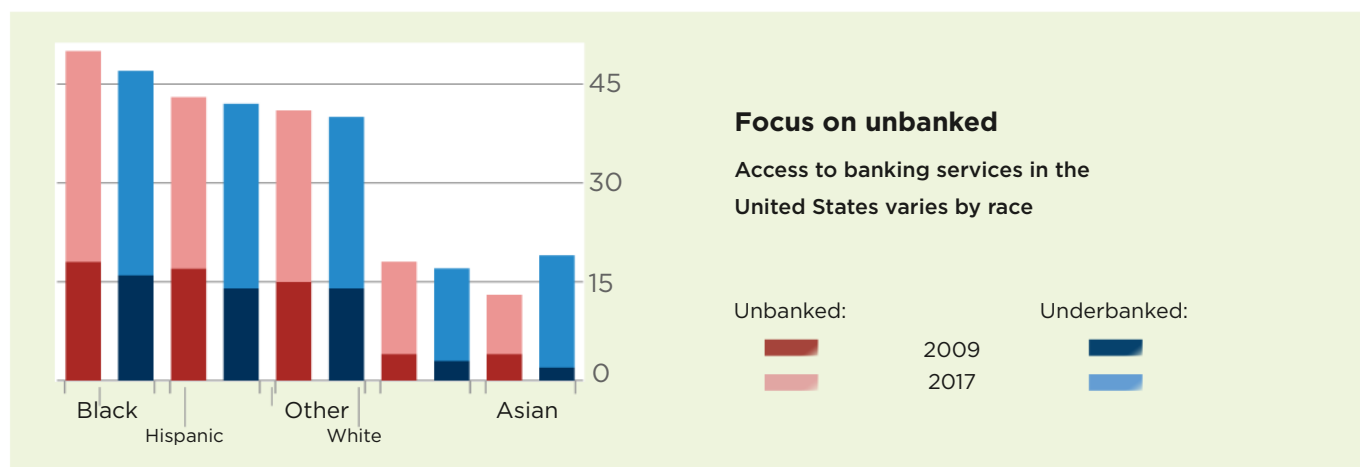
'In every sense, a cash-free society will help to spell the end of dirty money.'

Discuss it in reference to the social advantages of moving towards a cashless society.

Write an **essay** of about 200-300 words.

TOWARDS ORAL EXAM

1. Comment on this image.



2. Create connections to other subjects.

RELATIVE CLAUSES

TYPE OF RELATIVE CLAUSE	USE	EXAMPLES
Defining relative clauses	<ul style="list-style-type: none"> • give essential information • are a necessary part of the sentence 	<i>I work at a company that produces tiles.</i>
Non-defining relative clauses	<ul style="list-style-type: none"> • give extra, non-essential information • can be omitted • The clause is between commas 	<i>The ATM machine in the shopping centre, which I use quite often, is going to be removed.</i>
PRONOUN	USE	EXAMPLES
Who	is used for people	<i>A mortgage is for people who want to buy a house.</i>
Which	is used for things / animals	<i>The invoice which we sent in April has not been paid.</i>
Where	is used for places	<i>The village where she lives has a microcredit agency.</i>
Whose	is used to mean 'of who', 'of which'	<i>This is the employee whose sales figures are high.</i> <i>Which bank is it whose interest is the lowest on savings?</i>
That	can be used instead of 'who' or 'which' (but not 'whose')	<i>The bank that / which has the most customers is not always the most profitable.</i> <i>She's the person that / who approved my loan.</i>

-ING FORM OR INFINITIVE?

	USE	EXAMPLES
Gerund (verb + -ing)	after prepositions and phrasal verbs	<i>Factoring is important for ensuring cash flow.</i> <i>The company can't go on spending in this way.</i>
	as the subject (or part of the subject) of a sentence	<i>Making a profit is not easy in this economic climate.</i>
	after some verbs: <i>avoid, consider, continue, enjoy, finish, hate, like, love, mind, practise, prefer, regret, spend, start, stop, suggest.</i>	<i>We need to avoid giving easy terms to clients who might be unable to pay.</i>
Infinitive + to	after adjectives	<i>It's easy to open an online bank account.</i>
	to express a reason or purpose	<i>He's phoning the bank to get an extension on his overdraft.</i>
	after some verbs: <i>(can't) afford, agree, decide, expect, forget, help, hope, learn, need, offer, plan, pretend, promise, refuse, remember, seem, try, want, would like</i>	<i>The company has decided to build a new factory.</i>
Infinitive without to (base form)	after make or let + noun / pronoun	<i>The bank makes you pay interest if you don't pay the full amount on your credit card every month.</i> <i>Do you think the company will let us have an extension of credit?</i>
	after most modals	<i>We must pay the invoice this week, or they might take legal action.</i>

Grammar

1. Some of these sentences are wrong. Correct them and add commas where necessary. If they are correct, tick them.

1. I have two bank accounts, both of whom are overdrawn.
2. Yesterday I received a bonus, that I wasn't expecting.
3. The bank that I work for is an ethical bank.
4. This is the site which the company is going to build their new offices.
5. The loan I was able to negotiate with the bank was over three years.
6. The invoice which is a month overdue will be paid on Monday.

2. Choose the correct form.

1. The company considered taking / to take out a loan to cover running costs.
2. Our bank is not very good at giving / to give customer service.
3. Alice got a microloan paying / to pay for seeds and labour on her farm.
4. You shouldn't go / to go into the bank to do transfers. Do it online.
5. My financial advisor suggested putting / to put my money into shares.
6. It will be difficult saving / to save the deposit to get a mortgage.

Vocabulary

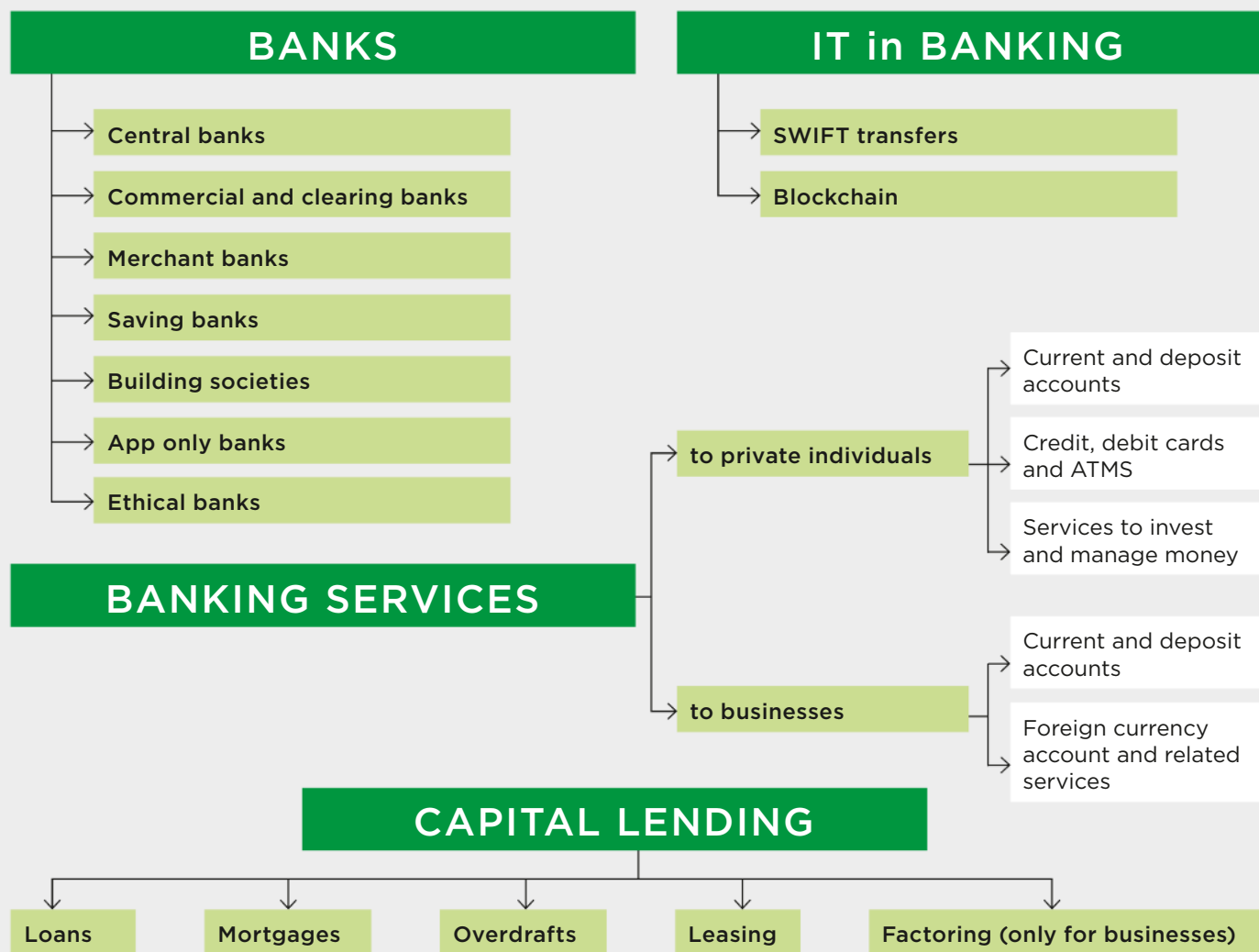
3. For sentences 1-8, choose the correct answer (A, B or C).

1. Money in coins and banknotes is called
A. reserves B. capital C. cash
2. The dollar, the euro and the yen are all
A. currencies B. funds C. monies
3. Money that an individual accumulates from earnings is called
A. deposits B. savings C. debt
4. Money placed in banks and other savings institutions constitutes
A. capital B. deposits C. finance
5. Money available in the banking system for individuals and business to borrow is
A. credit B. currency C. debts
6. Money borrowed from a bank is a
A. deposit B. income C. loan
7. Money borrowed from a bank to buy property or real estate is a
A. deposit B. income C. mortgage
8. Borrowed money that has to be paid back constitutes a
A. debt B. fund C. subsidy

4. Complete the text with the words from the list.

credit note • debit note • down payment • instalments • overdue payment • quarterly

Margaret Withers works in the Accounts Department of a clothing distributor. Today she has been on the phone to a customer chasing an 1. However, the customer informed her that the goods in question had been returned. After checking with the sales representative and the warehouse, Margaret confirmed this and issued a 2. against the invoice for the customer. Similarly, if Margaret finds that there has been an accounting error and a customer has been undercharged, she will issue a 3., which will be included in the next statement of account. As clothing is sold over a season, some regular customers are permitted to pay their invoices in 4., if they make a 15% 5. of the invoiced amount when the goods are delivered. Customers receive a 6. statement of account, which shows payments made and any balance still owing.



CHECK YOUR COMPETENCES AND KNOWLEDGE!

With the help of the map, answer the following questions to revise the Unit. If you have any problems, go back to the numbered page and study that part again.

- > What are banks? p. 162
- > What are the functions of a central bank? p. 164
- > Can you describe the main types of banks and financial institutions? p. 165
- > What is an ATM card, a debit card and a credit card? p. 166
- > Talk about digital banking and the future of banks. p. 167
- > What are Swift transfers? p. 168
- > What is a blockchain? p. 168
- > List and describe the basic banking services to businesses. p. 169
- > What are loans? p. 170
- > What are mortgages, overdrafts, leasing services and factoring? p. 170-171
- > What are ethical banks? p. 172-173
- > What is microcredit and what is it used for? p. 174-175
- > What does a statement of account show and what are its purposes? p. 176-177
- > Why do companies write reminders? Why are there different types?
Can you write a reminder? p. 178-179
- > Why do companies write requests for an extension of credit? Can you write one? p. 180-183