Course: Foreign language 01 **Teachers: Mazouz / Zemmar**

Introduction to Finance

Businesses

Businesses are organizations that sell goods or services to make a profit. There are many types of businesses:

The Organization of Business

Businesses can be organized in different ways, depending on their size, ownership, and purpose.

1. Sole Trader /Sole Proprietorship (One-Person Business)

A **sole trader** is a business owned and operated by **one person**. The owner is responsible for all decisions, profits, and losses.

Example Businesses:

- A small bakery run by one person.
- A local grocery shop.
- A freelance graphic designer.

Advantages:	Disadvantages:
✔ Easy to start and manage. ✔ Owner keeps all profits. ✔ Full control over decisions	✖ Owner is responsible for all debts. ✖ Limited ability to expand. ✖ Long working hours

2. Partnerships

A **partnership** is a business owned by **two or more people** who share the responsibility of running the business.

Example Businesses:

- A law firm with multiple partners.
- A medical clinic owned by two doctors.
- A family-run restaurant.

Advantages:	Disadvantages:
✔ More money is available. ✔ Shared responsibility reduces pressure on one person. ✔ More skills and ideas from different partners.	✖ Disagreements between partners can happen. ✖ Profits must be shared. ✖ If one partner leaves, the business may end.

3. Limited Companies

A **limited company** is a business owned by **shareholders** who invest money by buying shares.

Types of Limited Companies:

Private Limited Company (Ltd): Shares are owned privately and not sold to the public.
Public Limited Company (PLC): Shares are sold to the public on the stock market.

Example Businesses:

- **Coca-Cola (PLC)** – A public company where anyone can buy shares.
- **Family-run businesses (Ltd)** – A private company owned by family members.

Advantages:	Disadvantages:
✔ Shareholders have limited liability. ✔ Easier to raise money by selling shares. ✔ The business continues even if an owner leaves.	✖ Expensive to set up. ✖ More regulations and legal paperwork. ✖ Profits are shared among shareholders

4. Cooperatives

A **cooperative** is a business where **employees or customers** own and manage the company together.

Example Businesses:

- **Retail cooperatives** – A group of small shops working together.
- **Agricultural cooperatives** – Farmers share resources and sell products together.
- **Worker cooperatives** – Employees own the business and share profits.

Advantages:	Disadvantages:
✔ Each member has **one vote**, regardless of how much they invest.(Fair and democratic decision-making.) ✔ Profits are shared equally among members. ✔ Profits benefit members, not just one owner. ✔ Members work together for success.	✖ Decision-making can be slow. ✖ Profits may be lower because they are shared. ✖ Harder to raise money.

5. Multinational Companies (MNCs)

A **multinational** is a large business that operates in **multiple countries** but has its headquarters in one country.

Example Businesses:

- **Apple (USA)** – Designs in the USA, manufactures in China, sells worldwide.
- **McDonald's (USA)** – Fast food restaurants in 100+ countries.
- **Toyota (Japan)** – Produces cars in different countries.

Advantages:	Disadvantages:
✔ Produces and sells products in different countries. ✔ Headquarters in one country, factories/stores in others. ✔ Uses international workers and materials. ✔ Affects global trade and economy	✖ Can exploit cheap labor in poorer countries. ✖ Profits often return to headquarters, not local economies. ✖ Can dominate and harm local businesses.

6. Franchises

A **franchise** is a business model where one company (the franchisor) allows another person or company (the franchisee) to use its brand and business model.

Example Businesses:

- **McDonald's** – Independent owners run each restaurant but follow McDonald’s system.
- **KFC, Subway, Starbucks** – Worldwide franchises.
- **Car rental companies like Hertz and Avis.**

Advantages:	Disadvantages:
✔ Lower risk because the brand is already well-known. ✔ The franchisee buys the right to use the brand name. ✔ The franchisor provides training, products, and marketing. ✔ The franchisee pays a **fee** and a share of profits.	✖ High startup costs. ✖ Franchisee must follow strict rules. ✖ A percentage of profits goes to the franchisor.

Stocks and Shares

What Are Stocks and Shares?

A **stock** represents ownership in a company. When someone buys stocks, they become a **shareholder**, meaning they own a portion of that company.

A **share** is a single unit of stock. If you own shares in a company, you own a fraction of that company's assets and profits.

Why Do People Buy Stocks?

People buy stocks for **investment purposes**. They hope the value of the stock will increase over time, allowing them to sell it for a profit. Investors also earn **dividends**, which are portions of a company's profit paid to shareholders.

Why Do Companies Sell Stocks?

Companies issue stocks to raise money for business expansion. Instead of taking loans, they sell shares to investors, using the funds to grow the business.

Example:

A company needs **$1 million** to expand its operations. Instead of borrowing from a bank, it decides to sell shares:

- It offers **100,000 shares** at **$10 per share**.
- Investors buy these shares, and the company receives the needed money.
- If the company grows and performs well, the stock price may **increase to $20 per share**.
- Investors can **sell their shares** at a profit.

How Stock Prices Change

Stock prices go **up or down** based on:

- **Company performance** – If a company makes high profits, stock prices rise.
- **Demand and supply** – If many people want a stock, its price increases.
- **Economic conditions** – In a good economy, people invest more, raising stock prices.

3. Banking

Banks are financial institutions that help people and businesses manage money. There are different types of banks.

A. Central Bank (Government Bank)

- Controls the country's money supply and interest rates.
- Issues currency (money).
- Regulates commercial banks.

B. Commercial Banks (Everyday Banks)

- Provide banking services to individuals and businesses.
- Services include **savings accounts, loans, and credit cards**.

C. Investment Banks (For Large Businesses)

- Help big companies raise money.
- Manage stock market investments.