**English**

**Title: Business finance**

**Objectives:**

* Students will learn some financial concepts as: Capital, revenue, financial statements, etc.

**Introduction:**

This text provides some basic financial concepts and definitions that will help students to be familiar with accounting vocabulary.

1. **Capital**

When people want to **set up** or **start** a company, they need money, called **capital**.

Companies can **borrow** this money, called a **loan**, from banks. The loan must be paid back with **interest**: the amount paid to borrow the money. Capital can also come from issuing **shares** or **equities** -certificates representing units of ownership of a company.

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

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

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

1. **Revenue**

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

share capital revenue dividends

capital

company

profits

tax

debt (bonds and loans) expenses retained earnings

1. **Financial statements**

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

**Summary:**

* Capital is the money, property, and assets used in a business. It is the money owned by individuals or companies, which they use for investment.
* Revenue is the money coming into a company during a given period.
* Financial statements give information about financial situation of the company.