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ENGLISH FOR THE FINANCIAL SECTOR

Course for first year master students in Finance and Accounting

The academic year 2023/2024

INTRODUCTION

English for the financial sector is reading, speaking, and writing courses for undergraduate students in finance and accounting who need to understand and express the key concepts of finance and accounting and even other related areas of business and economics.

These courses aim to:

* present you with the language and concepts found in books, newspapers, magazine articles, and websites on finance and accounting.

* develop your comprehension of finance and accounting texts.

* provide you with opportunities to express finance and accounting concepts by reformulating them in your own words while summarizing and discussing ideas.

UNIT 13 FINANCIAL RATIO 2

A - Profitability

There are various profitability ratios that allow investors to compare a company's profit with its sales, its assets or its capital. Financial analysts usually include them in their reports on companies.

$$\frac{gross\ profit\ (sales - cost\ of\ goods\ sold)}{sales}$$

This is the gross profit margin. It is the money a company has left after it pays for the cost of the goods or services it has sold. A company with a higher gross profit margin than competitors in its industry is more efficient and should be able to make a profit in the future.

$$\frac{net\ profit}{total\ assets}$$

This is return on assets. It measures how efficiently the firm's assets are being used total Asses to generate profits.

$$\frac{net\ profit}{shareholders'\ equity}$$

This is return on equity (ROE), Ir shows how big a company's profit is (after interest and tax) compared with the shareholders' equity or funds.

B- Leverage

$$\frac{debt}{shareholders'\ equity}$$

This is gearing or leverage often expressed as a percentage. It shows how far a company is funded by loans rather than its own capital. A highly geared or highly leveraged company is one that has a lot of debt compared to equity.

$$\frac{EBIT}{interest\ charges}$$

This is interest cover or times interest earned. It compares a business's annual interest payments with its earnings before interest and tax and shows how easily the company can pay long-term debt costs. A low interest cover (e.g. below 1.0) shows that a business is having difficulties generating the cash necessary for its interest payments.

C- Exercise

Match the two parts of the sentences. Look at A and B opposite to help you.

1 - After borrowing millions to finance the takeover of a rival firm, the company's

2 - Although sales fell 5%, the company's

3 - Like profit growth, return on equity is a measure of

4 - With just 24% gearing, the company can afford

a- gross profit margin rose 9% from a year ago, so senior management is not worried.

b- how good a company is at making money.

c- interest cover is the lowest it has ever been.

d- to acquire its rival, which would help to increase its steady growth.