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كلية العلوم الاقتصادية والتجارية وعلوم التسيير
قسم العلوم المالية والمحاسبة

ENGLISH FOR FINANCE AND BANKING

Masters (2)

Course for Master students in Finance and Banking

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Subject Content

- **Chapter 1: Finance**
  - Defining finance
  - The categories of finance
    - *Public finance*
    - *Private finance*
    - *Corporate finance*
- **Chapter 2: Financial markets**
  - Defining financial markets
  - The kind of financial markets
    - *Stock market*
    - *Bond market*
    - *Money market*
- **Chapter 3: Market pricing**
- **Chapter 4: Investment**
  - Major types of investment
    - *Stocks*
    - *Bonds*
    - *Real estate*
- **Chapter 5: Shareholders and stakeholders**
  - Types of shareholders
    - *Common shareholders*
    - *Preferred shareholders*
  - Types of stakeholders
    - *Internal stakeholders*
    - *External stakeholders*
- **Chapter 6: Banks and banking**
  - Defining banks and banking
  - Types of banks
    - *Retail banks*
    - *Commercial banks*
    - *Investment banks*
    - *Central banks*
  - Major functions and uses of banking
  - Modes of banking

Chapter 1

FINANCE

➢ Defining finance

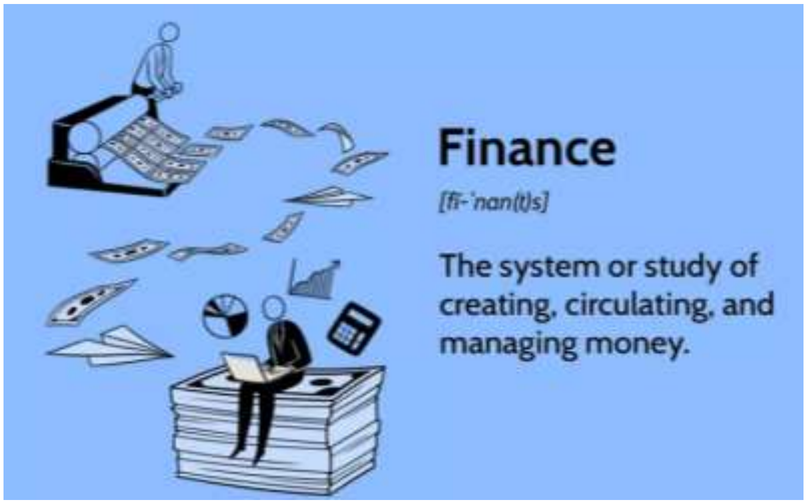
Finance is a term broadly describing the study and system of money, investments, and other financial instruments.

Finance is defined as the system or study of creating, circulating, and managing money.

Many of the basic concepts of finance come from the microeconomic and macroeconomic theories.

Finance is a term for matters regarding the management, creation, and study of money and investments. It involves the use of credit and debt, securities, and investment to finance current projects using future income flows. Because of this temporal aspect, finance is closely linked to the time value of money, interest rates, and other related topics.

The concept of time value of money (TVM) essentially states that a $1 today is worth more than a $1 in the future.



- **The categories of finance**

Finance can be broadly divided into three categories:

- **Public finance**

The public finance sector includes the government taxes, spending, budgeting, and debt issuance policies that all affect how a government pays for the services it provides to the public.

- **Private finance**

Private (personal) finance applies to individual consumers, and the ways they manage their spending, save for the future, and pay for the basic needs.

- **Corporate finance**

Corporate finance refers to the financial activities related to running a corporation.

- These three categories contain main subcategories, including:

- Behavioural finance
- Intangible finance
- Experimental finance
- Financial mathematics

Chapter 2

FINANCIAL MARKETS

➢ Defining financial markets

Financial markets refer broadly to any marketplace where the trading of securities occurs.

Financial Markets include any place or system that provides buyers and sellers the means to trade financial instruments, including bonds, equities, the various international currencies, and derivatives.

Financial markets facilitate the interaction between those who need capital with those who have capital to invest.

➢ The kind of financial markets

There are many kinds of financial markets, including (but not limited to):

- **Stock market**

Stock markets are considered the most widespread financial markets. Stock markets are markets where companies list their shares, which are bought and sold by traders and investors. Stock markets, or equities markets, are used by companies to raise capital and by investors to search for returns.

- **Bond market**

A bond is a security in which an investor loans money for a defined period at a pre-established interest rate. The bond is considered an agreement between the lender and borrower containing the loan's details and its payments. The bond market is also called the debt, credit, or fixed-income market.

- **Money market**

The money markets trade in products with highly liquid short-term maturities (less than one year) and are characterized by a high degree of safety and a relatively lower interest return than other markets.

Chapter 3

MARKET PRICING

➢ **Pricing**

The market price is the current price at which an asset or service can be bought or sold. The market price of an asset or service is determined by the forces of supply and demand.

The price at which quantity supplied equals quantity demanded is the market price.

In financial markets, the market price can change quickly as people change their bid or offer prices, or as sellers hit the bid or buyers hit the offer.
The market price is the result of the interaction of traders, investors, and dealers in the stock market. In order for a trade to occur, there must be a buyer and a seller that meet at the same price.

The **"bid"** is the higher price someone is advertising they will buy at, the **"offer"** is the lowest price someone is advertising they will sell at.

- ➢ **Bid is** represented by buyer,
- ➢ **Offer** is represented by seller.

<u>**Chapter 4**</u>

INVESTEMENT

➢ Investing

Investing is defined as deploying capital (money) toward projects or activities that are expected to generate a positive return over time.

Investing is putting money to work for a period of time in some sort of project or undertaking in order to generate positive returns.

Investing is the act of allocating resources, usually capital (i.e., money), with the expectation of generating an income, profit, or gains.

One can invest in many forms, such as; using money to start a business, or in assets such as purchasing real estate in hopes of generating rental income and/or reselling it later at a higher price.

In investing, risk and return are two sides of the same coin (i.e, Risk and return go hand-in-hand in investing). Low risk generally means low expected returns, while higher returns are usually accompanied by higher risk.

- **The major types of investment**

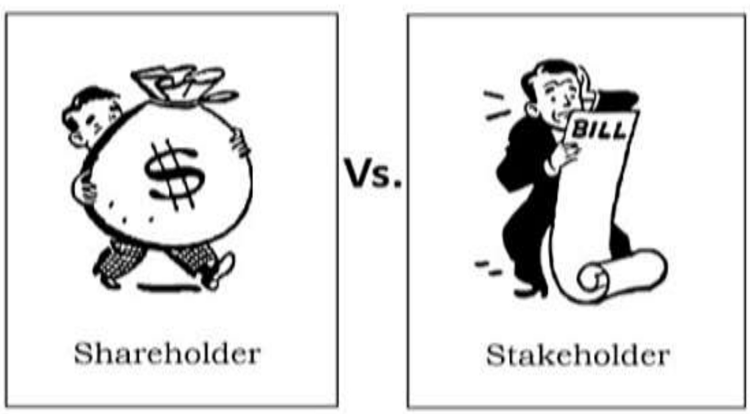
The type of returns generated depends on the type of project or asset;

- **Real estate** can produce both rents and capital gains,
- **Stocks** pay quarterly dividends;
- **Bonds** tend to pay regular interest.

Chapter 5

SHAREHOLDERS AND STAKEHOLDERS

- A **shareholder** owns part of a public company through shares of stock, while a **stakeholder** has an interest in the performance of a company for reasons other than stock performance or appreciation.
- A **shareholder** can be an individual, company, or institution that owns at least one share of a company and therefore has a financial interest in its profitability. (A shareholder can also be known as a stockholder).
- **Stakeholders** are those who either affect or are affected by a project or company. They have a "stake" in its success or failure. Stakeholders might be shareholders or owners.
- **Shareholders** are always stakeholders in a corporation, but **stakeholders** are not always shareholders.



- **Types of shareholders**

There are two types of shareholders:

- **Common shareholders:** Anyone who owns common stock in a company. Common stock gives you part ownership of the company and often has higher rates of return over the long term. Common shareholders can vote on board members or other company policies.

- **Preferred shareholders:** Anyone who owns preferred stock. Preferred stock has lower rates of return in the long term but guarantees a yearly dividend. Preferred shareholders can't vote on policies or board members, but they can claim assets before common shareholders if a company fails and its assets are liquidated.

- **Types of stakeholders**

Stakeholders can be divided into two types:

- **Internal stakeholders:** Those who are employed by the company or have a direct relationship with it. These are usually employees, shareholders, executives, and partners.

- **External stakeholders:** Those who are impacted by your company but don't have a direct relationship with it. These are usually customers, suppliers, and community members.

Chapter 6

BANKS AND BANKING

➢ Banks

A bank is a financial institution that is licensed to accept checking and savings deposits and make loans.

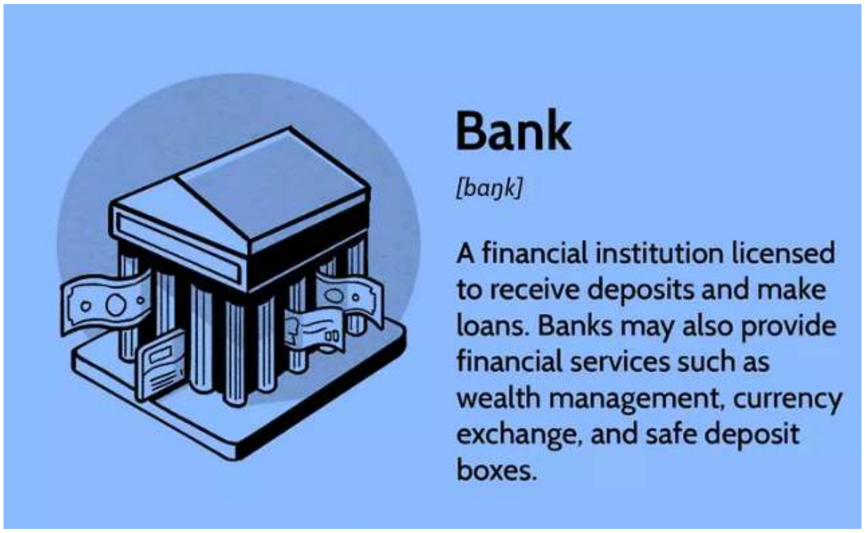
Banks provide a safe place for consumers and business owners to stow their cash and a source of loans for personal purchases and business ventures. In turn, the banks use the cash that is deposited to make loans and collect interest on them.

In most countries, banks are regulated by the national government or central bank.

➢ Banking

Banking is the business conducted or services provided by the bank. Banking is the business of protecting money for others and lending it to generate interest that creates profits for the bank and its customers.

Banking is essential for managing and safeguarding money. Financial institutions, like banks and credit unions, gather deposits from individuals. They then lend these to those in need, acting as intermediaries. Banks offer many financial services that help people save, manage and invest money. These services benefit both individuals and businesses.



➢ Types of banks

Most banks can be categorized as retail, commercial or corporate, or investment banks.

- **Retail Banks**

Retail banks offer their services to the general public and usually have branch offices as well as main offices for the convenience of their customers. They provide a range of services such as checking and savings accounts, loan and mortgage services, financing for automobiles, and short-term loans such as overdraft protection. Many also offer credit cards.

- **Commercial (Corporate) Banks**

Commercial or corporate banks tailor their services to business clients, from small business owners to large, corporate entities. These banks also offer credit services, cash management, commercial real estate services, employer services, and trade finance.

- **Investment Banks**

Investment banks focus on providing corporate clients with complex services and financial transactions such as underwriting and assisting with merger and acquisition (M&A) activity. (They are primarily financial intermediaries in these transactions). Their clients include large corporations, other financial institutions, pension funds, governments, and hedge funds.

- **Central Banks**

A central bank is an independent institution authorized by a government to oversee the nation's money supply and its monetary policy. (Unlike the banks above, central banks does not deal directly with the public). Central banks are responsible for the stability of the currency and of the economic system as a whole. They also have a role in regulating the capital and reserve requirements of the nation's banks.

➢ **Major functions and uses of banking**

- **Money storage**
  - Banks provide savings accounts that give the account owner interest on their deposit so that the money does not sit idly
  - Businesses store money in current accounts which are special accounts designed for the everyday financial needs of a business

- **Loan facility**

Banks also give out loans to both individuals and businesses. These loans are to be paid back over a period of time with a certain amount of interest added. People take loans for a number of reasons: to buy a new asset like a car, or house or for education. On the other hand, businesses take loans to meet liquidity needs, fund daily operations, execute payroll etc.

- **Corporate finance management**

When businesses reach a mature stage and are looking to merge/acquire other organizations that might serve their long-term revenue prospects, they reach out to specialized banks known as investment banks to help with complex financial transactions like mergers and acquisitions or IPOs.

Generally, these banks do not offer retail or consumer banking services and only specialize in corporate finances. They are intermediaries in the transaction and work with large corporations, hedge funds, and other financial institutions.

- **Modes of banking**
  - Mobile banking
  - Internet banking
  - Digital banking
  - Neo-banking