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Course of English Language

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Lesson 01: Stocks and Shares

❖ **Task one: Read the following text**

The act of issuing shares (GB), or issuing stocks(US) means offering them for sale to public for the first time. That is known as floating a company or making floatation. Companies generally use a bank to underwrite the issue. In return for a fee, the bank guarantees to purchase the security issue at an agreed price on a certain day. Newer and smaller companies trade on "over-the counter" markets, such as the Unlisted Securities Market in London. Successful companies can apply to have their shares traded on the major stock exchange . But to be quoted (GB) or listed (US), they have to fulfil a large number of requirements. One of these requirements is to send their Shareholders independently audited-annual reports, including the years trading results and a statement of the company's financial position.

Buying a share gives its holder part of the ownership of a company. Shares generally entitle their owners to vote at companies' general meetings, to elect company directors, and to receive a proportion of distributed profits in the form of a dividend (or receive part of the company's residual value if it goes bankruptcy). Shareholders can sell their shares at any time on the stock exchange on the secondary market, the market price of a share – the price quoted at any given time on the stock exchange, which reflects how well or badly the company is doing – may refer radically from its nominal, face or par value.

At the London Stock Exchange, share transactions do not have to be settled until the account day or settlement day at the end of a tow-week accounting period. This allows speculators to buy shares, hoping buy them back at a lower price. If a company wishes to raise more money for expansion, it can issue new shares. These frequently offered to existing shareholders offered to existing shareholders at less than their market price : this known as a right issue. Companies may also turn of their profit into capital by issuing new shares to shareholders instead of paying dividends. This is known as a bonus issue or scrip issue or capitalization issue in Britain, and as a stock dividend or stock split in the US. American corporations are also permitted to reduce the amount of their capital by buying back their own shares, which are then known as treasury stock; in Britain this is generally not allowed, in order to protect the companies' creditors, if a company sells shares at above their par value, this amount is recorded in financial statements as share premium (GB) or paid-in surplus (US). The Financial Time Stock Exchange (FT-SE) 100 Share Index (known as "Footsie") records the average value 100 leading British shares, and is updated every minute during trading. The most important US index is the Dow Jones Industrial Average.

❖ **Task two: Decide whether the following statements are (True) or (False)**

1. A company can only be floated once. TRUE/~~FALSE~~
2. Banks underwrite share issues when they want to buy the shares. ~~TRUE~~/FALSE
3. It is easier for a company to be quoted on an unlisted securities market than on a major stock exchange. TRUE/~~FALSE~~
4. Unlisted companies do not publish annual reports. ~~TRUE~~/FALSE
5. The market price of a share is never the same as its nominal value. ~~TRUE~~/FALSE
6. On the London Stock Exchange it is possible to make a profit without ever paying anyone any money. TRUE/~~FALSE~~

7. If a company issues new shares, it has to offer them to existing shareholders at a reduced price. ~~TRUE~~/FALSE

8. A scrip issue can be an alternative to paying a dividend. TRUE/~~FALSE~~

9. American corporations with large amounts of cash can spend it by buying their own shares. TRUE/~~FALSE~~

10. Companies do not have to sell their shares at their nominal value. TRUE/~~FALSE~~

- **<u>Task three</u>: Add appropriate words from the text to the following sentences**

1. Offering shares to the public for the first time is called **floating** a company.
2. A company offering shares usually uses a merchant bank **underwrite** the issue.
3. The major British companies are **quoted** on the London Stock Exchange.
4. In London, share transactions have to be **settled** every two weeks.
5. The value written on a share is its **nominal, face, or par value.**
6. The value listed in the newspapers is its . . . .

market.