

# Starting business – Worksheet 1

## 1.1 Reading

### I DEFINITION

When **entrepreneurs** start business, they begin to produce specific goods or to provide services. Businesses are typically formed to **make a profit** and **grow the personal wealth** of their owners. Sometimes people set up a business in order to **fill a hole in the market** which is lacking some type of goods or services; they see the need and are able to provide the solution. It is also an opportunity to learn new skills and **acquire extensive knowledge**; to fulfil oneself, to **achieve one's goals** and make one's dreams come true. Also, it gives you the chance of being your own boss. Some people start business because they have failed to find a job in their hometown or country, yet they refuse to stay unemployed, and they also want to **create new job possibilities** for others. Most businesses are **privately owned**, although they can also be owned by the state.

### II BUSINESS ORGANIZATION

It is a unit of people that is structured in order to **meet collective goals**. They always have a structure, a certain aim, management strategy and staff. The major factors affecting how a business is organized are usually:

- ~ the size (small, medium-sized, big businesses)
- ~ branch of the business
- ~ the sector and country
- ~ liability
- ~ tax advantages

### III BUSINESS FACTORS

- demand and **target customers**
- capital and reserve funds, **costs of running the business**
- location for the business, premises such as land or buildings
- **fittings**, technology
- **knowledge of the branch of business**, product or service; expertise
- staff (skilled, loyal, hard-working, etc.)
- competition, rivals, holes in the market, oversaturated market
- laws, rules, regulations of the country and branch of business

### IV MANAGEMENT

It is the study of the efficient and effective operation of a business. The main branches of management are: financial management, marketing management, strategic management, production management, service management, IT management.

## 1.2 Translate. Use Reading 1.1.

- |                                |                                       |
|--------------------------------|---------------------------------------|
| 1 v soukromém vlastnictví..... | 7 vytvořit pracovní příležitosti..... |
| 2 získat četné znalosti.....   | 8 cílový zákazník .....               |
| 3 dosáhnout cílů (2x).....     | 9 profitovat .....                    |
| 4 naplnit díru na trhu.....    | 10 náklady na provoz živnosti.....    |
| 5 podnikatel.....              | 11 znalost oboru .....                |
| 6 příslušenství .....          | 12 zvýšit osobní bohatství.....       |

## 1.3 Answer the questions.

- 1 What reasons do people have to start business?
- 2 Discuss the importance of the following factors which affect the organization of a business: size, scope of the business, sector, country, liability, tax advantages.
- 3 Discuss the importance of business factors. Compare your homeland, the EU countries and businesses worldwide.
- 4 If you started a business, would you a) work on your own, b) have a business partner or c) employ some staff? What are the advantages/disadvantages of each possibility?
- 5 What do you think about people who work for somebody, learn their know-how and then set up their own business and steal the customers and knowledge of their former employer? How can a company be protected against such employees?

## Starting business – Worksheet 2

### 2.1 Reading

#### CAPITAL

##### I DEFINITION

Capital is money used by businesses to buy what they need in order to make their products or provide their services. There is **initial capital** which is needed to **start business** and then **additional capital** which is needed to run a business.

##### II RAISING THE CAPITAL

The process of **raising capital** depends on the state of the firm, of the national economy, government and banking policies. It can include personal savings and personal loans. If entrepreneurs want to be granted a loan by the bank, they have to **provide guarantees** in form of **property** or premises.

##### III SOURCES OF CAPITAL

The most common sources of capital are:

- a) **bank overdraft**
- b) bank loan
- c) leasing
- d) **factoring**
- e) **ploughing back profits**
- f) trade credits

##### III A) BANK OVERDRAFT

It occurs when withdrawals from a bank account exceed the available balance which gives the account a negative balance. Businesses use it to pay for current assets such as material or stock.

##### III B) BANK LOANS

A loan is the process of redistribution of financial assets over time between the lender and the borrower. Such a loan is a type of a debt. It is used for buying specific assets such as **fittings** and machinery.

##### III C) LEASING

It is the right to use personal property or real property given for a fixed or indefinite period of time. The lessee obtains possession of the property in return for paying the **fixed** or **determinable payment** in **instalments**.

### 2.2 Find the words in Reading 2.1.

- |                               |                             |
|-------------------------------|-----------------------------|
| 1 dodatečný kapitál .....     | 8 začít podnikat.....       |
| 2 pevně stanovená platba..... | 9 zvýšit kapitál .....      |
| 3 přečerpání účtu .....       | 10 poskytnout záruky.....   |
| 4 zařízení, vybavení .....    | 11 splátky .....            |
| 5 počáteční kapitál .....     | 12 zdroje kapitálu .....    |
| 6 majetek, vlastnictví .....  | 13 stávající aktiva .....   |
| 7 odkup pohledávek .....      | 14 stanovitelná platba..... |

### 2.3 Translate.

- 1 Z kapitálu je potřeba pořídit strojní vybavení a potřebné příslušenství.
- 2 Počáteční kapitál je potřeba, abychom mohli začít podnikat.
- 3 Zvyšování kapitálu závisí na stavu firmy.
- 4 Jedním ze zdrojů kapitálu je možnost znovu investovat zisk.
- 5 Kapitál jsou peníze, které jsou potřeba k zahájení obchodní činnosti.
- 6 Podniky využívají bankovní služby přečerpání úvěru k tomu, aby zaplatily za stávající aktiva, například zásoby.
- 7 Leasing je finanční produkt, který umožňuje financovat pořízení nějakého majetku, např. kamion. (pořízení – purchase)
- 8 Bankovní úvěr může sloužit jako zdroj kapitálu.

## Starting business – Worksheet 3

### 3.1 Reading

#### SOURCES OF CAPITAL – PART 2

##### III D) FACTORING

It is a financial transaction in which a business **sells** its **accounts receivable** (e. g. invoices) to a third party (called a factor) **at a discount**. The business is no longer dependent on the debt from customers. Businesses **benefit from** the acceleration of cash flow by **obtaining cash** from the factor.

##### III E) PLOUGHING BACK PROFITS

Profits made by the company are immediately **invested back into** the enterprise. The money **gained as profit** is not used to repay loans or other debts.

##### III F) TRADE CREDITS

One firm provides goods or services to a customer with an agreement to **bill** them later; or receives a shipment or service from a supplier under an **agreement** to pay them later. Trade credits represent the largest **use of capital** for the majority of businesses.

#### IV OTHER SOURCES OF CAPITAL

~ credit cards – their user is able to **make purchases from merchants** who accept that credit card up to a pre-established credit limit

~ cheques – enable their users to pay a specific amount of a specific currency from a specific demand account held in the depositor's name with the bank

### 3.2 Find in the text.

- |                                  |                                   |
|----------------------------------|-----------------------------------|
| 1 znovu investovat do n. ....    | 7 se slevou .....                 |
| 2 prodat pohledávky.....         | 8 fakturovat zboží .....          |
| 3. ujednání, dohoda .....        | 9 provést koupi u obchodníka..... |
| 4 mít prospěch, užitek z n. .... | 10 odkup pohledávek .....         |
| 5 získat jako zisk.....          | 11 investovat zisk do n. ....     |
| 6 využití kapitálu .....         | 12 získat hotovost .....          |

### 3.3 Translate.

- Odkup pohledávek znamená, že podnik prodá svoje dluhy se slevou a tím získá hotovost.
- Zisky nejsou použity ke splacení dluhů, ale jsou okamžitě znovu investovány do podnikání.
- Zboží je možné zakoupit na úvěr, pokud se prodejce i zákazník dohodnou, že zboží bude fakturováno později.
- Uživatel kreditní karty má prospěch z toho, že ji obchodníci přijímají k placení za zboží.
- Podniky mohou získat hotovost, kterou pak investují do provozování obchodní činnosti.

### 3.4 Answer the following questions.

- Would you ever ask for a leasing to obtain some expensive fittings needed for your business?
- Which means of raising the capital do you find a) the safest, b) the riskiest, c) the most effective? Why?
- What is capital used for in a business?