



# International Certificate in Financial English

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**Past Examination Paper**

**Listening**

May 2008

# **International Certificate Financial English**

**May 2008**

## **Test of Listening**

### **Past Paper Pack**

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Test of Listening, Question paper

Test of Listening, Answer sheet

Test of Listening, Transcript

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Candidate Name \_\_\_\_\_

Centre Number	Candidate Number

**UNIVERSITY OF CAMBRIDGE ESOL EXAMINATIONS**  
**English for Speakers of Other Languages**  
**INTERNATIONAL CERTIFICATE IN FINANCIAL ENGLISH    D020/3**

Test of Listening

Saturday    **10 MAY 2008**

Morning

Approx. 40 minutes

Additional materials:  
Answer sheet



**Time**    Approx. 40 minutes

**INSTRUCTIONS TO CANDIDATES**

Do not open this question paper until you are told to do so.

Write your name, Centre number and candidate number in the spaces at the top of this page and on the separate answer sheet if they are not already printed.

There are thirty questions in this paper.

Read the instructions carefully.

Answer **all** questions.

You should write your answers in the spaces provided on the question paper. You will have five minutes at the end to **transfer them to the separate answer sheet.**

At the end of the examination, hand in both the question paper and the answer sheet.

**INFORMATION FOR CANDIDATES**

This paper requires you to listen to a selection of recorded material and answer the accompanying questions.

There are four parts to the test. Each part of the test will be heard twice.

There will be a pause before each part to allow you to look through the questions, and other pauses to let you think about your answers.

All questions carry one mark.

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**This question paper consists of 6 printed pages and 2 blank pages.**

## Part 1

### Questions 1 – 6

You will hear three different extracts.

For questions 1 – 6, choose the best answer (A, B or C).

There are two questions for each extract. You will hear each extract **twice**.

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#### Extract One

You will hear an accountant talking to a group of people who are about to launch their own businesses.

- 1 What is the speaker doing in the first part of the talk?
- A defining the role of an accountant in a business
  - B advising how to find out about good accountants
  - C explaining the consequences of choosing an unsuitable accountant
- 2 What does the speaker say is the most important factor when interviewing an accountant?
- A the client's own feelings about the accountant
  - B the accountant's previous experience with similar companies
  - C the size and reputation of the accountancy firm

#### Extract Two

You will hear an accountant telling a colleague about a seminar he has just attended on forensic accounting.

- 3 Which topic covered in the seminar did David find most useful?
- A the development of forensic accounting
  - B the career structures within forensic accounting
  - C the expertise required in forensic accounting
- 4 What is David's opinion concerning the fees of independent accounting experts?
- A A change in the system might increase experts' commitment.
  - B The fees are currently not high enough to attract accountants.
  - C The need for independence is more important than the fees.

**Extract Three**

You will hear two members of a company's finance department discussing a proposed share buyback.

- 5** What is Jenny's worry about the share buyback?
- A** The market might think that the company has limited future growth prospects.
  - B** The current price earnings ratio makes a share buyback unsuitable.
  - C** The company's reputation with the general public might suffer.
- 6** Instead of a share buyback, Jenny thinks that the company should
- A** increase the size of the shareholders' dividend.
  - B** retain the money for future acquisitions.
  - C** gain interest through sensible investment.

## Part 2

### Questions 7 – 11

You will hear an accountant, Mark, asking a more experienced colleague, Rebecca, for some advice about finding a bankruptcy lawyer for a client.

For questions 7 – 11, choose the best answer (A, B or C).

You will hear the recording **twice**.

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- 7 Why is Mark's client filing for bankruptcy?
- A He made an unsuccessful relocation.
  - B His costs have risen dramatically.
  - C He was given poor business advice.
- 8 According to Rebecca, why do some bankruptcy lawyers give a poor service to clients?
- A The fees for such cases are relatively low.
  - B They don't respect bankrupt clients.
  - C They take on too many cases.
- 9 Why does Rebecca recommend people who sit on debtor and creditor committees?
- A Their firms deal exclusively with bankruptcy cases.
  - B They usually have time available.
  - C It is likely they will be committed professionals.
- 10 Rebecca advises Mark to ask potential lawyers about
- A the extent of the contact they would have with the client.
  - B the length of their experience in bankruptcy work.
  - C their success rates in other bankruptcy cases.
- 11 Rebecca says the right lawyer will
- A be able to handle the case alone.
  - B make a difficult process less unpleasant.
  - C contribute to Mark's professional development.

### Part 3

#### Questions 12 – 20

You will hear a finance student giving a short talk about how companies can enter new foreign markets.

For questions **12 – 20**, complete the sentences using no more than **three** words.

You will hear the recording **twice**.

### Some routes into foreign markets

#### Opening a Representative Office

- (12) Direct business activities, such as ....., may not be allowed in some countries.
- (13) The ..... can be kept low.
- (14) The company's ..... is taxed in its home country.

#### Starting a Joint Venture

The company works with a partner who has local knowledge.

- (15) Existing ..... are available to the company.
- (16) It is possible to benefit if the partner's ..... are familiar to the public.
- (17) The two partners might need to deal with differences of ..... in their business activities.

#### Starting a Wholly-Owned Enterprise

- (18) ..... can be transferred to the home country in foreign currency.
- (19) There is more flexibility in decisions concerning ..... and in running operations.
- (20) The level of ..... that is required may be relatively high.

## Part 4

### Questions 21 – 30

You will hear five short extracts in which five people are talking about five different companies' annual results. Part Four consists of two tasks.

#### TASK ONE

For questions **21 – 25**, choose from the list **A – F** the reason that each speaker gives for the poor results.

#### TASK TWO

For questions **26 – 30**, choose from the list **A – F** what each company intends to do in response to the poor results.

**You will hear the recording twice. While you listen you must complete both tasks.**

**A** writing off bad debts

Speaker 1 ..... **(21)**

**B** a downturn in the sector

Speaker 2 ..... **(22)**

**C** over-investing in new stores

Speaker 3 ..... **(23)**

**D** the unexpected costs of a new system

Speaker 4 ..... **(24)**

**E** cash flow difficulties

Speaker 5 ..... **(25)**

**F** growing too quickly

**A** to target a different group of consumers

Speaker 1 ..... **(26)**

**B** to lower its labour costs

Speaker 2 ..... **(27)**

**C** to lease space within its retail outlets

**D** to raise finance for investment

Speaker 3 ..... **(28)**

**E** to reduce stock levels

Speaker 4 ..... **(29)**

**F** to focus on selling expensive products

Speaker 5 ..... **(30)**

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# INTERNATIONAL CERTIFICATE IN FINANCIAL ENGLISH

May 2008

## Part 1

### Extract One

So let me start by asking what can help when you're trying to choose an accountant. Well, of course choosing the right one can make a big difference to small businesses. But the difficulty can be in tracking one down. Your networking skills can come in useful here – talk to others about their experiences. Ask professionals you know and trust, such as other business owners, and get referrals. Selecting the wrong accountant for your business is not an option when you're starting out.

Then interview your prospective accountant. If you structure your questions carefully, you can find out valuable information. If you can, find one that has worked with businesses similar to yours, and ask them to describe their client base. Of course, it's also useful to know that your accountant is from a well-established and reputable company, and isn't going to disappear overnight. Please remember, though, throughout this selection process that it's essential to hire someone you'll be comfortable asking for advice. This relationship is never going to work otherwise, however well qualified or experienced they are, or how prestigious their firm. Observe how willing they are to get to know **your** business and its needs....

### Extract Two

**F** Hi, David. How did you find the forensic accounting seminar?

**M** Quite good, though it started off at too low a level – all the participants already knew what forensic accountants do, at least in broad terms. But once we got on to individual cases, and the sort of knowledge and skills that the accountant has to bring to bear, I began to see what I need to do before I can specialise in that field.

**F** What about fees? Did you discuss those at all?

**M** Yes, and it got quite heated when we talked about the fees of independent accounting experts in court cases. Some participants argued that payment by results would encourage more people to take on the work. I'm not sure I agree, but I think there are *some* accountants who would be far more conscientious if they knew their efforts could make a difference to their fees. Anyway, the seminar gave us a lot to think about.

### Extract Three

**M** Ah, Jenny, the Board's keen to spend part of this year's profits on buying back shares from the shareholders, and they want our views. What do you think?

**F** Well our price earnings ratio is relatively low at the moment, so a buyback should make earnings per share rise. On the other hand, there's a problem with making shareholder value our main objective: if shareholders gain all the benefits, the press and the public will claim our profits are too high, and that'll be bad for our image. And after all, there are several proposals on the table for projects to help us grow, which will be expensive if they go ahead.

**M** So what would you advise instead?

**F** I know the Board's very much in favour of organic growth, but my recommendation is that we take over two or three of our main competitors – and for that we'll need all the cash we've got. If we don't, our market share will stagnate, and we might as well keep the money in the bank and make do with a low interest rate. I'm sure the shareholders will accept a dividend in line with last year's, as long as they understand why.

## Part 2

**M** Rebecca, I wonder if I could ask you for some advice? One of my clients has asked me to recommend a good bankruptcy lawyer. He owns a transport company located just outside Arlington and the huge increase in the price of fuel has hit him very badly. Against our advice, he'd expanded at just the wrong time. Anyway, do you know anyone who might be good?

**F** Well, Mark, the person I've recommended for years and years has just moved abroad. But I could certainly give you some pointers.

**M** Thanks. It seems like hiring the right person could make all the difference to my client.

**F** You're right. For too many lawyers bankruptcy filings have become volume business and they just don't have time to take the care they should with each individual client. It's not that they don't respect people who've gone bankrupt, I don't think, but it must sometimes feel like that to their clients.

**M** And I suppose that they can't charge as much for bankruptcy cases as for other more complex problems.

**F** Well, I'm not sure about that. I think they do pretty well out of that kind of work too.

**M** Mmm, so where do you think might be a good place to start?

**F** Well, you could begin by finding out who sits on the bankruptcy panel attached to the local court. The people on that are by definition going to have a lot of experience of bankruptcy cases. Also the court has a number of debtor and creditor committees made up of lawyers in general practice. You could contact the members of those perhaps. Lawyers prepared to give up their time to these committees obviously tend to be the sorts of people who take their work seriously.

**M** So presumably any of those people would be OK.

- F** Yes, but it would still be worth conducting some interviews with those who look most promising as some will be better for your client than others.
- M** Yes, I could check up on their qualifications and their experience in this particular area, I suppose.
- F** Well, they should all be all right on that score but no harm in checking them out of course. It's useful, though, to find out exactly how much time they would spend with you and your client during the case. And if they're not going to be dealing with you themselves, find out who you would be dealing with. If I were you, I'd also ask about how long the whole procedure is likely to take and what different stages are involved.
- M** It all seems quite a time-consuming process.
- F** Yes, but it'll be worth it to smooth your client's path through the courts. Talk to at least three people and compare their answers carefully. You should get a clear idea of who has the legal and financial expertise and the back-up to minimise the stress your client will face. All the same, you will need to work closely with them so nothing is overlooked. But if you find someone good we'll be able to use him or her with other clients in the future.

### **Part 3**

OK. My part of this presentation is to briefly introduce the main routes into foreign markets. I'm going to outline three methods, and then we'll look at some examples.

One possibility is to open a Representative Office. This is a registered presence of the company in the foreign country. In some countries, Representative Offices are restricted to non-direct business activities, in which case sales aren't permitted; their role is mainly to promote the company's goods, liaise with local organisations and carry out market research. They're a useful way of testing the local market situation before deciding whether to pursue long-term direct investments, and one advantage is that set-up costs will be minimal if the company decides to have a small operation, with a small staff. One disadvantage of having a Representative Office, though, is that it may not be tax-efficient. This is because corporate income is liable for tax in the country where the company is registered, that is, the home country.

A second option is to set up a joint venture with a local enterprise. This has several advantages. For one thing, the investor gains immediate access to local knowledge. Another is that the local partner already has distribution channels in place, which are open to the joint venture. A third important point is that for a company whose products are unknown in the new country, by establishing a joint venture with a well-established, well-known local business, it can use that organisation's brands as a good starting point for entry into the market. Something that companies sometimes see as a drawback is the fact that the culture of the two countries, and of their business communities, may not be identical. But with goodwill on both sides, and a willingness to deal with these differences, this is often a strength, rather than a weakness.

The third possibility I want to mention is a Wholly-Owned Enterprise, which is a company that's owned entirely by the investor. Starting one is of course a much greater commitment than opening a Representative Office, and companies usually only take this step when they're confident they want a long-term presence in the new market. One reason for choosing this route is that the profits can be converted to a foreign currency, so compared with a joint venture, it's easier to remit them to the parent company in its home country. Another advantage is that a wholly-owned enterprise gives the parent company greater flexibility in its strategy and in running its operations. This might be particularly important to companies that prefer to standardise their operations all around the world. On the other hand, it's likely to take longer to gain access to local knowledge and local markets, and a significant level of registration capital may be required. Of course, this isn't likely to deter companies that are sure they're going to be successful in the new country.

Right, now I'd like to look at some examples...

## **Part 4**

### **Speaker 1**

When the volume of home-buying falls, kitchen suppliers are among the first to be affected, and this underlies the poor results just announced by Wheatcroft Kitchens. Although disappointing, these results are no worse than others posted in recent months – kitchens are simply not selling at the moment. Wheatcroft's response is to look for a strategic partner to help it to survive. The intention is to allow home furnishings, and maybe other franchises to be set up inside stores, to complement the company's own products. This is not primarily to increase footfall but to bring in rental income as an addition to Wheatcroft's bottom line, allowing it to keep on its skilled workforce.

### **Speaker 2**

Do-it-Yourself chain Wadey Green had hoped that its success of recent years would continue, but this hope is now at an end. The company's attempt to make savings in its distribution bill by spending a huge amount on a sophisticated electronic tagging process has led to costs which were not anticipated and at present, there is no scope for raising prices to recover these. The Chairman reported that the company has started a stores revamp to include room displays, as part of a policy of attracting younger homeowners. This is intended to get away from the company's dependence on the middle-aged home-improver, and if successful, could significantly boost turnover.

### **Speaker 3**

Bannerman's results mark what the company strongly hopes is the end of a very difficult period. During the last year, the machine tools manufacturer has been particularly unlucky, with some of its largest customers being remarkably slow at settling debts, for various reasons. Bannerman has been forced to negotiate several short-term bank loans, in order to meet its ever-rising wages bill. According to the CEO, the company now intends to make savings by cutting its inventory. This will involve speeding up the despatch of finished goods and forcing suppliers to provide just-in-time deliveries. Whether this will be enough to avoid problems in the coming year remains to be seen.

### **Speaker 4**

The performance of Cartwright's, the furniture manufacturer, in the last year comes as no surprise, as it was obvious to outsiders that the company's rapid expansion was bound to run into problems. One of these was that the sharp increase in sales really overstretched the company and led to numerous disappointed customers – not to mention unbudgeted costs. Cartwright's planned solution to the problem is to phase out many of its existing ranges over the next four years, and only continue to make furniture for the top end of the market, replacing the current design team in the process. This development would be a major repositioning within a competitive market.

## **Speaker 5**

Vanbrugh Pharmaceuticals has just issued its figures for the past year, and the Chairman makes great play of the claim that they are better than they look. His argument is that underlying profits are healthy. However, the figures have been distorted by recognising that the company will never receive the large sums owed to it by some customers that have gone into liquidation. The Chairman also announced a new share issue, which will cover the cost of building a new state-of-the-art production facility. When this comes on-stream, the company hopes to double its output, and to increase the range of new products. It needs to do this to compete with the major players in the pharmaceutical sector.

## Answer key

One mark is given for each item answered correctly. The total score is then adjusted to give a score out of 50 representing 25% of the total for the examination.

### Part 1

- 1 B
- 2 A
- 3 C
- 4 A
- 5 C
- 6 B

### Part 2

- 7 B
- 8 C
- 9 C
- 10 A
- 11 B

### Part 3

- 12 (DIRECT) SALES (OPERATIONS)
- 13 COMPANY('S) START-UP / SET-UP COSTS
- 14 (CORPORATE)(OVERSEAS) INCOME / REVENUE
- 15 (LOCAL) DISTRIBUTION CHANNELS / NETWORKS
- 16 BRANDS / PRODUCTS
- 17 CULTURE / CULTURAL BACKGROUND
- 18 PROFIT (S)
- 19 STRATEGY
- 20 REGISTRTION CAPITAL

### Part 4

- 21 B
- 22 D
- 23 E
- 24 F
- 25 A
- 26 C
- 27 A
- 28 E
- 29 F
- 30 D