

Warm-up

1 Discuss these questions.

- 1 What do individuals need a bank for?
- 2 How can people communicate with their banks?
- 3 What types of services do businesses expect to receive from banks?

Banking services to businesses

Banks offer companies a wide range of services.

Current accounts

Current accounts are used by companies to access quickly funds they need or to receive payments from their customers. This type of account doesn't usually bear¹ interest. Current account holders receive regular **statements of account**², recording all payments into and from their current account over a given period of time.

Account holders can make **payments** by:

- standing orders³, which are used when a person authorises the bank to make regular payments of a fixed amount from his current account, e.g. payments for insurance, mortgage, etc.;
- direct debits⁴, when money is taken directly out of a customer's current account for payments of varying amounts, e.g. telephone and gas bills, etc.;
- cash cards or switch cards⁵, credit cards, or cheques⁶.

Banks can arrange for payments for all national and international trade transactions.

Savings accounts

Companies open savings accounts⁷ to deposit money they do not need for the everyday running of their business. The advantage of this type of account is that interest is paid on the account balance⁸.

Business loans and mortgages

Banks lend money through loans⁹, mortgages¹⁰ and overdrafts¹¹. An overdraft is a loan made by a bank to an account holder so that he can take out more money than he has in his account, up to an agreed maximum, paying interest on the sum received.

Banks can intervene to give an exporter credit in advance if, for example, the importer is following a long-term payment scheme, and the exporter cannot wait for the money.

Glossary

- 1 **to bear**
generare, fruttare
- 2 **statement of account**
estratto conto
- 3 **standing order**
ordine permanente
- 4 **direct debit**
addebito diretto
- 5 **cash card/switch card**
bancomat
- 6 **cheque**
assegno
- 7 **savings account**
conto di risparmio
- 8 **account balance**
saldo del conto
- 9 **loan** prestito
- 10 **mortgage**
mutuo
- 11 **overdraft** fido



Factoring

With this service a company sells its trade debts to a bank at a discount. The bank takes on the job of collecting the debts and, if successful, can make a profit.

Leasing

Instead of buying expensive equipment, property or vehicles, a company can lease (or hire) them through a bank. The bank pays for what is headed and leases it out to the company. The company arranges for monthly payments over an agreed period. The most obvious advantages of leasing are that lease rent is tax deductible and that it enables a company to acquire equipment easily.

Advice

Banks provide advice on investment prospects in international finance markets as well as advice on the Stock Exchange.

2 Decide whether these statements are true (T) or false (F). Correct the false ones.

- Companies can use current accounts only to make payments. T F
- Savings account holders receive interest on their account balance. T F
- The only way in which banks can finance companies is through mortgages. T F
- Businesses can sell their trade debts to a bank through factoring. T F

Looking at documents: Statement of Account

J&D National Bank

88, Clapham High Street
London SW4

BYG Current
45 London Road
Nottingham

STATEMENT OF ACCOUNT

Account Number 54863472
Statement Number 23
Date 1st June 20_

DATE	DETAILS		WITHDRAWN ¹	PAID IN	BALANCE
	Brought forward				12,098.00
02MAY	Four Seasons Hotel, London	CHQ	220.00		
06MAY	Kentucky Kitchen, London	CC	154.00		
12MAY	KLJ, Birmingham	TR		12,000.00	
16MAY	Midlands Electricity	DD	150.00		
23MAY	Lloyds Insurance	SO	250.00		
27MAY	R&K, Glasgow	TR		7,500.00	
					30,824.00

Abbreviations: CHQ - Cheque CC - Credit Card DD - Direct Debit SO - Standing Order TR - Transfer

Glossary

¹ withdrawn
movimenti dare

3 Read the statement of account. Complete the text with the words given in the box.

• 12,000.00 • 23rd • 2nd • cheque • direct debit • R&K • 12,098.00
• 27th • 54863472 • credit card • final • standing order

This is the statement of account of current account no.(1). It refers to the period from May
.....(2) to(3). The initial balance was(4). On 2nd May a(5) was used to pay
the £220.00 bill at the Four Seasons Hotel in London. Four days later a payment for £154.00 was made by
.....(6). On 12th May BYG received a payment for £.....(7) from KLJ, Birmingham. BYG pay
their electricity bills by(8). The bill for May amounted to £150.00. BYG have a(9) to pay
for their insurance: a payment for £250.00 was made on(10) May. On 27th May the company received
a payment for £7,500.00 from(11). The(12) balance was £ 30,824.00.

Accessible banking

Customers can communicate with their banks in a variety of ways.

Internet banking

Electronic banking (e-banking) facilities provide 24-hour online access to accounts. It is now far safer to bank online. Companies that provide these services use firewalls, secure gateways and monitoring devices to detect hackers. If you submit or download confidential information, it is encrypted to prevent unauthorised access. Customers can view their statements, balances and transactions, transfer money, create and modify standing orders and direct debits, pay bills and stop cheques.

Telephone banking

This service enables 24-hour automated banking services. Customers dial in information about their accounts and they can also speak to staff to pay bills, or make payments, during extended office hours.

Textphone banking

Customers can use their textphone to check balances, transfer money, pay bills, make payments and receive details of their most recent transactions.

TV banking

This service is offered to customers who have a digital satellite system connected to a telephone line. Customers can check their account balance and pay their bills. They can also find information about credit cards and savings and investment services.

Branch banking

Customers can visit one of the branches of their bank and talk to staff directly.

4 Answer these questions.

- 1 Why is it now safer to use e-banking?
- 2 What service allows customers to talk to staff outside normal working hours?
- 3 What can customers do if they use textphone banking?
- 4 What equipment do you need if you want to use TV banking?

DEVELOP YOUR COMPETENCES

5 WORK IN GROUPS. Discuss these questions.

- 1 What ways of communicating with a bank would you find more convenient? Why?
- 2 What are some of the potential problems of these forms of banking?



Methods of payment

Businesses can make payments using a wide range of methods. The choice will depend on the type of relationship between companies, the location of businesses and the amount to be paid.

Cash with Order (CWO)¹

The importer pays for the goods when he places the order.

Cash on Delivery (COD)²

The goods are delivered to the importer at the exporter's expense, together with an invoice. The importer pays the invoice when the goods are delivered to his door.

Open account

The goods and the documents are sent to the importer before he pays. The importer pays at 30, 60 or 90 days from the invoice date. It is a method of payment used when there is a good relationship with the customer.

Glossary

- 1 **Cash with Order**
pagamento all'ordine
- 2 **Cash on Delivery**
contrassegno o pagamento alla consegna

9 Match the beginning with the ending of the sentence.

- | | |
|---|----------------------------|
| 1 <input type="checkbox"/> With CWO the importer pays for the goods | a after he receives them. |
| 2 <input type="checkbox"/> With COD the exporter pays for | b before he receives them. |
| 3 <input type="checkbox"/> With COD the importer pays for the goods | c transportation. |
| 4 <input type="checkbox"/> With an open account the importer pays for the goods | d when he receives them. |



DEVELOP YOUR COMPETENCES

10 Work in pairs. Decide which method of payment you would suggest in the following situations.

- 1 An old-established customer from Spain has ordered 250 pairs of sunglasses from you, but you know he is in financial trouble at the moment.
- 2 A new customer from Hong Kong has ordered goods to the value of £50,000.
- 3 A long-standing customer in the UK has placed an order with you for 250 tables and 100 chairs.
- 4 You have to send a small amount of money to Germany for an MP3 you have bought.

Documentary Collection or Cash Against Documents (CAD)¹

With this method of payment the shipping documents which prove ownership of the goods are given to the importer only when he either:

- a pays the draft² – if it is at sight³ (this is called **D/P Documents Against Payment**)
or
b accepts the draft – if it is at a future date – and agrees to pay on the stated date (this is called **D/A Documents Against Acceptance**).

The shipping documents usually include:

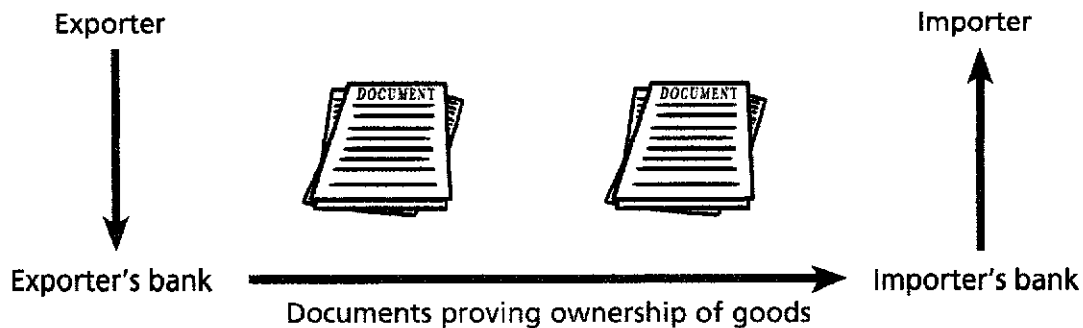
- the invoice;
- the transport document;
- the packing list;
- the draft;
- the insurance policy.

The diagrams below show how the documentary collection works.

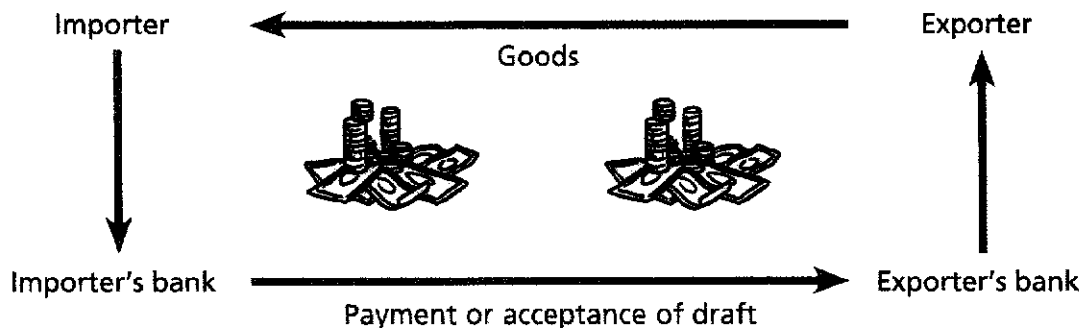
Glossary

- 1 **Documentary Collection or Cash Against Documents**
rimessa documentaria o contro documenti
2 **draft** tratta
3 **draft at sight**
tratta a vista

Stage 1



Stage 2



11 Answer these questions.

- 1 What's the difference between D/P and D/A?
- 2 What do shipping documents usually include?

12 Look at the diagrams above. Complete the text with the words given in the box.

• goods • documents • exporter (x2) • importer (x2) • bank • accepts • draft (x2)

The(1) (the drawer) prepares the(2) and sends them to his bank which hands them over to the(3)'s bank.

The(4) (the drawee) receives the documents and either pays the(5) if it is at sight or(6) if it is at a future date.

His(7) sends the money or the(8) accepted to the exporter's bank, which hands it over to the(9). The importer can now collect the(10).