

# 5

# Finance

## 5.1 WHY FINANCE?

### Vocabulary (kosakata)

---

Di bawah ini adalah sebuah daftar istilah yang akan anda temui di dalam bacaan. Sementara membaca "Why Finance?," lihat apakah anda mengerti tiap istilah. Gunakan ini sebagai daftar kerja dan tambahkan istilah lain yang belum anda ketahui artinya.

#### NOUNS (kata benda)

consideration — pertimbangan  
funds — dana  
capital — modal  
investment — investasi  
finance — keuangan  
credit extension — perpanjangan kredit  
charge account — rekening kredit  
arrangement — pengaturan  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### VERBS (kata kerja)

purchase — membeli  
utilize — memanfaatkan  
start up — memulai  
support — mendukung  
acquire — memperoleh  
last — berlangsung  
obtain — mendapatkan  
expect — mengharapkan  
repay — membayar kembali  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### ADJECTIVES (kata sifat)

primary — utama  
external — eksternal/luar  
short-term — jangka pendek  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### OTHERS (lain-lain)

similarly — sama halnya/demikian pula  
\_\_\_\_\_  
\_\_\_\_\_

### Reading (bacaan)

---

#### WHY FINANCE?

One of the primary considerations when going into business is money. Without sufficient funds a company cannot begin operations. The money

needed to start and continue operating a business is known as capital. A new business needs capital not only for ongoing expenses but also for purchasing necessary assets. These assets—inventories, equipment, buildings, and property—represent an investment of capital in the new business.

How this new company obtains and uses money will, in large measure, determine its success. The process of managing this acquired capital is known as financial management. In general, finance is securing and utilizing capital to start up, operate, and expand a company.

To start up or begin business, a company needs funds to purchase essential assets, support research and development, and buy materials for production. Capital is also needed for salaries, credit extension to customers, advertising, insurance, and many other day-to-day operations. In addition, financing is essential for growth and expansion of a company. Because of competition in the market, capital needs to be invested in developing new product lines and production techniques and in acquiring assets for future expansion.

In financing business operations and expansion, a business uses both short-term and long-term capital. A company, much like an individual, utilizes short-term capital to pay for items that last a relatively short period of time. An individual uses credit cards or charge accounts for items such as clothing or food, while a company seeks short-term financing for salaries and office expenses. On the other hand, an individual uses long-term capital such as a bank loan to pay for a home or car—goods that will last a long time. Similarly, a company seeks long-term financing to pay for new assets that are expected to last many years.

When a company obtains capital from external sources, the financing can be either on a short-term or a long-term arrangement. Generally, short-term financing must be repaid in less than one year, while long-term financing can be repaid over a longer period of time.

Finance involves the securing of funds for all phases of business operation. In obtaining and using this capital, the decisions made by managers affect the overall financial success of a company.

### Comprehension (pemahaman)

- A. Jawablah pertanyaan di bawah ini. Pertanyaan dengan tanda asterisks (\*) tidak dapat dijawab langsung dari bacaan.

1. What does a company need in order to begin operations?
2. What is capital? \*Where can capital be acquired?
3. Why does a new business need capital? \*What are some examples of ongoing expenses that a company encounters?
4. What is finance?
5. Why does a company use both short-term and long-term capital?
6. How might a business utilize the short-term capital that it has borrowed?
7. What is the repayment period for short-term financing? For long-term financing?
8. \*Have you ever financed anything on a short term or long-term arrangement? \*Explain.
9. \*What are some items for which a company might seek short-term financing? \*Long-term financing?

B. Tulis B di depan pernyataan yang benar dan S di depan pernyataan yang salah. Perbaiki pernyataan yang salah.

1.     S     Longterm financing is used by a company to purchase new equipment and to construct additional facilities.
2.            A new business only needs capital to meet day-to-day expenses.
3.            In financing business operations, a company relies almost entirely on short-term financing.
4.            Long-term and short-term financing may be acquired from outside sources.
5.            How well a company manages its finances affects the overall success of the business venture.

**Vocabulary Exercises (latihan kosakata)** \_\_\_\_\_

A. Gantilah kata atau frasa yang dicetak miring di dalam kalimat di bawah ini dengan istilah yang tepat.

acquire	utilizes	primary	arrangement	last
external	consideration	repaid	expect	✓ capital

1. Although Ms. Robinson and her partners had already defined their new product line, they were still searching for the *money* needed to purchase equipment and materials. capital
  2. In general, a business that is able to manage its finances successfully will *continue to exist*. \_\_\_\_\_
  3. One of the *chief* elements in financial planning is achieving the correct balance between long-term and short-term capital. \_\_\_\_\_
  4. A company needs sufficient funds to *obtain* necessary assets, such as property, buildings, and inventories. \_\_\_\_\_
  5. When a company wants to expand, one *factor* that always affects this decision is cost. \_\_\_\_\_
  6. In making investments, a financial manager *uses* a wide variety of information provided by all departments of company. \_\_\_\_\_
  7. When an individual or a company borrows money from a bank, this money must be *paid back* by a specific date. \_\_\_\_\_
  8. Owners *anticipate* that the company will use fixed assets for many years. \_\_\_\_\_
- B. Bahaslah pertanyaan di bawah ini dengan teman sekelas. Dalam memberikan jawaban, cobalah menggunakan istilah yang dicetak miring.
1. Do you have any *charge accounts*? Which stores or companies do you have *charge accounts* with?
  2. Personal *investments* include savings accounts, real estate, stocks, and precious metals, such as gold. Do you have any personal *investments*? Which kind are they?
  3. When most people *purchase* a house, do they pay cash or do they negotiate some type of *financial arrangement*? When they *purchase* a car, do they pay cash or negotiate a *financial arrangement*?
  4. If you were to *start up* a small appliance manufacturing company, what fixed assets would you *purchase*?
  5. What are some of the *external* sources through which a company *obtains short-term* and long-term capital?

C. Isilah bagian yang kosong dengan istilah yang paling tepat dari daftar.

similarly      capital      primary   short-term      support  
 consideration   purchase   ✓ start up   arrangements   finance

The Cunhas were planning to start up a small retail business. Before making the final decision, they looked at the amount of personal \_\_\_\_\_ they had to invest. The remaining funds they would have to \_\_\_\_\_ through various \_\_\_\_\_ and long-term \_\_\_\_\_. Another \_\_\_\_\_ was the type of equipment they would have to \_\_\_\_\_ initially. \_\_\_\_\_, the Cunhas evaluated the costs of inventory, employee salaries and benefits, and other general expenses. After reviewing all these factors, the Cunhas decided to open their business.

**Text Analysis (analisis teks)** \_\_\_\_\_

**Lihat bacaan untuk menjawab pertanyaan ini.**

1. What does each of the following refer to?

BARIS	KATA	MERUJUK PADA
5	these assets	_____
8	its	_____
32	this capital	_____

2. In lines 23, a connective phrase is used to show contrast. Find the connective phrase and copy it below. Then write down the concepts that are being contrasted

\_\_\_\_\_ / \_\_\_\_\_  
 (connective)                      (concepts being contrasted)

3. What are each of the following examples of?

BARIS	KATA	MERUJUK PADA
5-6	inventories, equipment, buildings, and property	_____
22	clothing and food	_____

24 bank loan \_\_\_\_\_

4. What does a new business need capital for?

a. \_\_\_\_\_ (line 4)

b. \_\_\_\_\_ (line 5)

5. Two terms are defined in the reading using this form:

definition → verb to be → known as → term being defined

Find and copy these definitions in the spaces below.

a. The money needed to start up and continue operating a business is  
 \_\_\_\_\_  
 \_\_\_\_\_

b. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

6. One term is defined using this form:

term being defined → verb to be → definition

Find and copy this definition in the space below.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Classification (klasifikasi)** \_\_\_\_\_

Klasifikasikan situasi nyata berikut ini. Pertama, putuskan apakah situasi ini merupakan contoh pembiayaan jangka pendek atau jangka panjang. Lalu, klasifikasikan menurut pemakaian spesifik dana bersangkutan.

**SHORT-TERM USES OF FUNDS  
(CURRENT ASSETS)**

- inventories
- accounts receivable

**LONG-TERM USES OF FUNDS  
(FIXED ASSETS)**

- equipment
- buildings

- cash
- marketable securities
- property

1. To deal with the complexities of inventory control, an electrical wholesale business purchases a minicomputer.

\_\_\_\_\_ *long-term* \_\_\_\_\_ / \_\_\_\_\_ *equipment* \_\_\_\_\_

2. In order to locate its manufacturing site close to the natural resource required for production, a timber company constructs a new plywood mill.

\_\_\_\_\_ / \_\_\_\_\_

3. An American toy manufacturer increases production during the summer months in anticipation of pre-Christmas purchases in the fall.

\_\_\_\_\_ / \_\_\_\_\_

4. Anticipating the need for more employee and customer parking, a local department store purchases a vacant lot adjacent to its store.

\_\_\_\_\_ / \_\_\_\_\_

5. Foreseeing the need to implement a second shift on a production line, an auto manufacturer carries an unusually large balance in the corporate payroll bank account.

\_\_\_\_\_ / \_\_\_\_\_

6. Because a local book wholesaler suddenly receives an influx of early payments from its customers, the business purchases 90-day certificates of deposit through its bank.

\_\_\_\_\_ / \_\_\_\_\_

7. A construction company yielded a higher-than-expected return in a recent project, and with these funds it acquires a future industrial park site.

\_\_\_\_\_ / \_\_\_\_\_

8. To promote a new product in its initial phases of marketing (the first six months), a small appliance manufacturer offers special terms to retailers to introduce this product line

\_\_\_\_\_ / \_\_\_\_\_

9. In order to maximize the shipping efficiency of a container, a farm equipment manufacturer retains a number of smaller orders until a large shipment can be made.
- \_\_\_\_\_ / \_\_\_\_\_

10. A real estate investment firm assists in the loan application process of an insurance company that is building a new downtown office complex.
- \_\_\_\_\_ / \_\_\_\_\_

### Writing (menulis) \_\_\_\_\_

Tulislah sepucuk surat kepada bank dan lembaga simpan-pinjam yang menanyakan tentang jenis-jenis pembiayaan jangka pendek dan jangka panjang yang tersedia. Tulislah surat tersebut sebagai individu yang mencari informasi keuangan atau sebagai wakil dari perusahaan yang memerlukan tambahan modal.

Contoh:

#### FACSIMILE TRANSMISSION

TO: Anna Alvarez, Manager

LOCATION: Business Finance Dept., National City Bank  
205 Commercial Street, Portland, OR 97203

FAX TEL: (503) 929-4837

FROM: James Smith, President

LOCATION: West Coast Industries  
721 Market Street, San Francisco, CA 94109

FAX TEL: (415) 338-5948

DATE: November 14, 1993

Dear Anna:

As we discussed last week at lunch, West Coast Industries (WCI) plans a major expansion of its cold-storage warehouse operations based in Portland. In order to expand these facilities, WCI will need a combination of short- and long-term financing. Our estimates indicate a need for \$1,500,000 for one year and \$15,750,000 for a term of ten years. The

long-term financing will, of course, be utilized for the construction of the new cold-storage warehouse. Short-term financing will permit the purchase of additional inventory.

Would National City Bank be able to provide WCI with a line of credit totaling \$17,250,000 for the purposes of this expansion project? Our executive committee would welcome the opportunity to discuss this proposal in detail with the bank's board of directors at the earliest possible date. Your assistance in arranging a meeting would be most appreciated.

## 5.2 ACQUISITION OF CAPITAL

### Vocabulary (kosakata)

Di bawah ini adalah sebuah daftar istilah yang akan anda temui di dalam bacaan. Sementara membaca "Acquisition of Capital," lihat apakah anda mengerti tiap istilah. Gunakan ini sebagai daftar kerja dan tambahkan istilah lain yang belum anda ketahui artinya.

NOUNS (kata benda)	VERBS (kata kerja)	ADJECTIVES (kata sifat)	OTHERS
source — sumber	borrow — meminjam	initial — awal	quarterly — tiap kuartal
stock — saham	exemplify — menunjukkan	proportional — proporsional	_____
share — saham	entitle — memberi hak	severe — hebat/besar	_____
valuation — penaksiran/penilaian	issue — menerbitkan	periodic — berkala	_____
bond — obligasi	turn to — berpaling pada	_____	_____
deadline — batas waktu	meet — memenuhi	_____	_____
interest payment — pembayaran bunga	force — memaksa	_____	_____
obligation — kewajiban	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

### Reading (bacaan)

#### ACQUISITION OF CAPITAL

A corporation needs capital in order to start up, operate, and expand its business. The process of acquiring this capital is known as financing. A

---

corporation uses two basic types of financing: equity financing and debt financing. Equity financing refers to funds that are invested by owners of the corporation.

Debt financing, on the other hand, refers to funds that are borrowed from sources outside the corporation.

Equity financing (obtaining owner funds) can be exemplified by the sale of corporate stock. In this type of transaction, the corporation sells units of ownership, known as shares of stock. Each share entitles the purchaser to a certain amount of ownership. For example, if someone buys 100 shares of stock from Ford Motor Company, that person has purchased 100 shares worth of Ford's resources, materials, plants, production, and profits. The person who purchases shares of stock is known as a stockholder or shareholder.

All corporations regardless of their size, receive their starting capital from issuing and selling shares of stock. The initial sales involve some risk on the part of the buyers because the corporation has no record of performance. If the corporation is successful, the stockholder may profit through increased valuation of the shares of stock, as well as by receiving dividends. Dividends are proportional amounts of profit usually paid quarterly to stockholders. However, if the corporation is not successful, the stockholder may take a severe loss on the initial stock investment.

Often equity financing does not provide the corporation with enough capital and it must turn to debt financing, or borrowing funds. One example of debt financing is the sale of corporate bonds. In this type of agreement, the corporation borrows money from an investor in return for a bond. The bond has a maturity date, a deadline when the corporation must repay all of the money it has borrowed. The corporation must also make periodic interest payments to the bondholder during the time the money is borrowed. If these obligations are not met, the corporation can be forced to sell its assets in order to make payments to the bondholders.

All businesses need financial support. Equity financing (as in the sale of stock) and debt financing (as in the sale of bonds) provide important means by which a corporation may obtain its capital.

## Comprehension (pemahaman)

---

- A. Jawablah pertanyaan di bawah ini. Pertanyaan dengan tanda asterisks (\*) tidak dapat dijawab langsung dari bacaan.
1. Why does a corporation need capital?
  2. What are the two basic types of financing used by a corporation?
  3. From whom are funds acquired for each type of financing?
  4. What does one share of stock entitle the purchaser to?
  5. Why do the initial sales of stock involve some risk?
  6. How might a stockholder benefit from his or her stocks?
  7. If the corporation is not successful, how might the stockholder be affected?
  8. How does the corporation benefit from selling bonds? How does the bondholder benefit from purchasing bonds?
  9. \*Have you or has someone you know ever purchased bonds?  
\*Describe the experience.
  10. \*In your present financial situation, would the purchase of stocks or bonds be a wise investment? \*Why or why not?
- B. Lingkarilah huruf di depan jawaban yang paling tepat melengkapi kalimat di bawah ini.
1. The process of acquiring capital is known as:
    - a. accounting
    - b. capitalizing
    - c. financing
    - d. incorporating
  2. The unit of ownership in a corporation is a:
    - a. bond
    - b. share
    - c. certificate
    - d. stock
  3. All corporations receive their starting capital by:
    - a. selling bonds
    - b. purchasing stock
    - c. purchasing shares

- d. selling stock
4. The sale of corporate bonds is an example of \_\_\_\_\_ financing.
- debt
  - bond
  - equity
  - corporate
5. A corporation may be forced to sell its assets if it does not:
- pay dividends
  - share its profits with stockholders
  - make the required payments to bondholders
  - sell bonds

### Vocabulary Exercise (latihan kosakata) \_\_\_\_\_

- A. Tulislah istilah yang tidak anda mengerti di dalam bacaan. Perhatikan istilah tersebut di dalam konteksnya, dan cobalah menerka artinya. Bahaslah istilah ini dengan teman sekelas.
- B. Perhatikan istilah di kolom sebelah kiri dan cari sinonim yang tepat di kolom sebelah kanan. Tuliskan huruf yang sesuai di bagian yang kosong.
- |  |  |
|--|--|
| 1. _____ interest payment<br>(line 30) | a. satisfy   |
| 2. _____ severe (line 23)              | b. give one a right  |
| 3. _____ obligation (line 31)          | c. occurring at regular times  |
| 4. _____ source (line 7)               | d. extreme   |
| 5. _____ entitle (line 10)             | e. first   |
| 6. _____ periodic (line 29)            | f. the contract or promise that<br>compels one to follow a<br>certain course of action |

- |                             |  |
|-----------------------------|--|
| 7. _____ issue (line 17)    | ✓ g. a sum paid for borrowing money                    |
| 8. _____ deadline (line 28) | h. any thing or place from which something is obtained |
| 9. _____ meet (line 31)     | i. a time limit for finishing something                |
| 10. _____ initial (line 17) | j. print for sale or distribution                      |

C. Isilah bagian yang kosong dengan bentuk kata benda, kata kerja, dan kata sifat yang disediakan.

1. **consideration/considered/considerable**

- After careful consideration by the board of directors, a decision was made to issue more shares of stock.
- A corporation must raise a considerable amount of capital in order to purchase essential assets.
- Before buying her new car, Nancy considered the price, the size, and the mileage.

2. **initiation/has initiated/initial**

- My \_\_\_\_\_ impression of the applicant was not accurate.
- Ms. Marovitz is an aggressive and competent manager; she \_\_\_\_\_ a number of new programs since joining the firm.
- With the \_\_\_\_\_ of sick-leave benefits, employees could miss a certain amount of work due to illness without loss of pay.

3. **investment/to invest/invested**

- Mr. Lee decided \_\_\_\_\_ \$5.000 in Lyman Products, Inc.
- Although he had researched the market carefully, he took a loss on his \_\_\_\_\_.
- A stockholder's \_\_\_\_\_ funds are usually not tax-deductible.

4. **acquisition/to acquire/acquired**

- There are numerous ways for a business \_\_\_\_\_ capital.

- b. The \_\_\_\_\_ of funds is an important aspect of financial management.
- c. The ability to tipe accurately and quickly is an \_\_\_\_\_ skill.
5. **finance/are financed/financial**
- a. \_\_\_\_\_ information is provided by income statements and balance sheets.
- b. Some students \_\_\_\_\_ by their parents until they graduate from college.
- c. There are many job opportunities for individuals who major in the field of \_\_\_\_\_.

### Text Analysis (analisis teks) \_\_\_\_\_

#### Lihat bacaan untuk menjawab pertanyaan ini.

1. What does each of the following refer to?

BARIS	KATA	MERUJUK PADA
2	this capital	_____
9	this tipe of transaction	_____
31	these obligations	_____
32	its	_____

2. Two different connective words or phrases are used to show contrast (lines 6 and 22). Find these connectives and copy them below. Then write down the concepts that are being contrasted.

CONNECTIVES	CONCEPTS BEING CONTRASTED
a. _____	_____ / _____
b. _____	_____ / _____

3. In the reading, examples of equity and debt financing are given. What are the examples? What are the risk factors for each?

#### **Equity Financing**

Example: Stocks

Risk Factors: \_\_\_\_\_

Debt Finanncing: \_\_\_\_\_

**Example:**

Risk Factors: \_\_\_\_\_

\_\_\_\_\_

4. Two terms are defined in the reading using this form:

definition → verb to be → known as → term being defined

Find copy there definitions in the spaces below.

a. *The process of acquiring this capital is* \_\_\_\_\_

\_\_\_\_\_

b. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Application (aplikasi)** \_\_\_\_\_

Bacalah situasi di bawah ini dan buat rekomendasi untuk investasi keuangan. Dasarkan rekomendasi anda pada informasi yang diberikan di dalam unit ini atau pengetahuan anda sendiri tentang keuangan.

**Situation 1:**

Mr. and Mrs. Jeong are in their early sixties. They are both close to retirement. They have saved approximately \$50,000 during their working years. They want to put their money in a secure investment that will provide them with a regular income. What do you recommend?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Situation 2:**

Susan Clairmont is in her late twenties. She is single, owns a home, and has a successful law practice. She finds that she can live very comfortably on 65

percent of her income. She is looking for an investment that will yield the highest return. What do you recommend?

---



---



---

**Situation 3:**

John and Mary Huston are parents of four young children. John works as an engineer and Mary is a homemaker. They are able to save a small amount of John's salary every month. They would like to invest this money now with the idea of using it later to help pay for the children's college education. What do you recommend?

---



---



---

**Information Transfer (transfer informasi)** \_\_\_\_\_

CHARACTERISTICS OF STOCKS AND BONDS

Characteristic	Stocks	Bonds
Type of financial instrument	Equity	Debt
Order of claim	Dividends can be issued only after interest on all debts (including bonds) is fully paid.	Interest must be paid before any dividends on stock are issued.
Legal obligations to holders	Dividends may be varied or omitted at the discretion of the board of directors; no principal or maturity dates are involved.	Interest must be paid regularly to avoid insolvency; principal must be repaid at stated maturity date.
Rights of holders	Voting stockholders can influence management by electing members of the board of directors.	Bondholders have no voice in management as long as they receive interest payments.

Tax status	Dividends are not tax-deductible.	Interest as an expense of doing business is tax-deductible.
------------	-----------------------------------	---

From *An introduction to Contemporary Business*, fourth edition, by William Rodelius et al. C 1985 by Harcourt Brace Jovanovich, Inc. Reprinted by permission of the publisher.

**Gambar 1**

- A. Lihat Gambar 1 untuk menjawab pertanyaan ini.
1. Which type of financial instrument is a bond? \_\_\_\_\_
  2. What example is given for equity financing? \_\_\_\_\_
  3. What must be paid first—interest payments or dividends? \_\_\_\_\_  
For whom is this a disadvantage? \_\_\_\_\_
  4. Are stockholders guaranteed dividend payments? \_\_\_\_\_  
Who decides when dividends will be paid? \_\_\_\_\_
  5. Are bondholders guaranteed interest payments? \_\_\_\_\_  
When must the principle be repaid? \_\_\_\_\_
  6. Who has more influence on managerial decision-making—stockholders or bondholders? \_\_\_\_\_
  7. Does a corporation pay taxes on interest? \_\_\_\_\_ Does a corporation pay taxes on dividends? \_\_\_\_\_
- B. Lihat Gambar 1 untuk menjawab pertanyaan ini.
1. What advantages do stocks have over bonds?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  - What advantages do bonds have over stocks?  
\_\_\_\_\_  
\_\_\_\_\_
  2. If you had \$10,000 to invest in a corporation, would you purchase stock, bonds, or both? Why?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. As the financial manager of a well-established, successful corporation, how would you advise your company to raise capital?

---

---

---