

Read through the sentences and decide whether the sentences are true (T) or false (F). Before you start listening consult your answers with your partner. Listen and check.

1. **Corporate borrowers** typically find it cheaper to issue bonds than to borrow money from commercial banks.
2. Bonds are always **underwritten** by commercial banks rather than investment banks.
3. The **coupon** of a bond refers to the periodic interest payments made to bondholders.
4. The **principal** of a bond is the total amount repaid to the bondholder at maturity.
5. **Debt financing**, such as issuing bonds, allows companies to avoid paying interest during years without profits.
6. Unlike bonds, **equity financing** involves issuing stocks, which require repayment.
7. **Brokerage companies** play a key role in trading bonds on the primary market.
8. The **spread** refers to the difference between the bid price and the offer price in bond trading.
9. The **yield** of a bond depends solely on its coupon rate.
10. The **issuer** of a bond is the entity that buys bonds and receives regular interest payments.

Read the text on p. 63 (Financial English) and choose the correct answers.

1. What is the primary purpose of bonds issued by governments and companies?
  - a) To raise funds for expenses or investments
  - b) To attract stockholders for long-term profits
  - c) To compete with other financial products
  - d) To secure tax deductions for investors
2. Why might a company choose to issue bonds instead of borrowing from a bank?
  - a) Bonds are less regulated than bank loans.
  - b) Bonds usually come with lower interest rates than bank loans.
  - c) Banks no longer lend to corporations.
  - d) Bonds do not need to be repaid.
3. How do bondholders typically earn money from their investment?
  - a) By selling bonds above their face value
  - b) By trading bonds on the stock market for dividends
  - c) Through annual tax deductions
  - d) Through regular interest payments and the return of the initial amount
4. What makes bonds generally less risky than stocks?
  - a) They offer higher returns than stocks over time.
  - b) Bondholders have priority in repayment if a company goes bankrupt.
  - c) Bonds are unaffected by market fluctuations.
  - d) They are issued exclusively by government entities.
5. What happens to the value of existing bonds when interest rates increase?
  - a) The value of bonds remains unchanged.
  - b) The value of bonds increases above their face value.
  - c) The value of bonds decreases below their face value.
  - d) The value of bonds is unaffected by market trends.
6. Why might companies with excellent credit ratings have an advantage in issuing bonds?
  - a) They are exempt from repaying the borrowed amount.
  - b) They can issue bonds with shorter repayment terms.
  - c) They are able to secure lower interest rates for their bonds.

d) They attract only high-risk investors.

7. What is one key distinction between bonds and stocks regarding taxation?

- a) Bond interest is taxed at a higher rate than stock dividends.
- b) Stock dividends are deducted from profits before taxation, while bond interest is not.
- c) Bond interest is tax-deductible for companies, unlike stock dividends.
- d) Stock dividends are not subject to any taxation.

8. What is a feature of the secondary market for bonds?

- a) It allows bond issuers to change the interest rates on existing bonds.
- b) Bondholders can sell their bonds at a price influenced by current market rates.
- c) It eliminates the need for credit ratings on bonds.
- d) Bonds traded here are always sold at their original face value.

### **Odd One Out**

- 1. corporate borrowers, issuer, market makers, principal
- 2. government bond, gilts, tax deductible, coupon
- 3. spread, bid, above par, equity financing
- 4. debt financing, yield, default, underwritten
- 5. brokerage companies, market makers, corporate borrowers, gilts
- 6. coupon, principal, spread, issuer
- 7. default, above par, tax deductible, underwritten
- 8. coupon, bid, yield, corporate borrowers
- 9. market makers, bid, spread, tax deductible
- 10. government bond, debt financing, equity financing