

Ways of Making Money

Look at the pictures below and write the method of making money underneath the picture.



With a partner, put these methods into order (1 -> 6) with 1 being the safest and 6 being the riskiest. Give reasons for your answers.

Task 2 – Vocabulary Matching – Finance Terminology

Owe

Mortgage

Lend

Interest

Deposit

when the banks give money to an applicant / customer

when you must give money back or are in debt to someone

an amount of money paid into a bank or upfront for a house.

a loan given by the bank to help someone buy a house

Money a bank charges you for lending you money.



What risks are associated with banks?

What are the risks for the nation?

What is the opinion of bankers in your country?

Why and how do people get loans?

Showing Caution

I would be wary of + verb 'ing' In case

I think we should avoid + verb 'ing' In case

It would be a bad idea to + verb 'infinitive' In case.....

You see an opened, untouched bottle of water on the table

You need to get £10,000 in two days

You have seen a 4 bedroom house for sale for £10,000

Would you provide a loan?

You are a director in the Loan Department of Best Bank in London (assets: £1 billion). The world is currently going through a financial crisis with global markets declining and interest rates rising. Nevertheless, people are still applying for loans and it's your job to read through each application and decide if you should grant a loan or not. Remember we are in a time of economic woe but you must still make money, so you must be cautious when deciding.

Important Information

Standard interest rates are fixed at 10% every year.

Applicant 1: Mr John Jones (aged 47) and Mrs Danielle Jones (aged 45)

John and Danielle Jones are farmers who specialise in growing roots vegetables and wheat. They have been loyal customers of the bank and for the past ten years, borrowing £100,000 each year and then paying it back when they harvest their crops. However, due to the intense rain over the summer, they were unable to harvest their crops and so could not pay back the loan. As a result, they now owe the bank £110,000 and they wish to borrow an extra £200,000.

Applicant 2: Mr Daniel Mills (aged 18)

Mr Daniel Mills is an inventor and engineering genius. When he was 16 years old, he won the national prize for engineering after developing a talking fridge. He has now developed plans for a new tablet (hand held computer), which experts believe will rival if not better the competitors on the market. Daniel wants to borrow £10,000 to build and develop the tablet technology.

Applicant 3: Mr Steven Belcher (34 years old) and Mrs Sarah Taylor (30 years old)

Steven Belcher and Sarah Taylor (unmarried) have been together for 10 years and have two children, four and two years old. Steven has worked as a mechanic for five years and earns £18,000 per year. Sarah works as a teaching assistant and earns £15,000 per year. They lived for three years in a caravan before moving to social housing (their current address). They wish to buy a £100,000 house and have £10,000 as a deposit.

Applicant 4: Nilesh (aged 45) and Pria Ranjara, India

Nilesh and Pria have recently moved to the U.K from India. They would like to open an Indian restaurant in town (population of 75,000 people) and have already deposited £30,000 into their current account at Best Bank. They are requesting a further £70,000 to set up and open the restaurant. Records show that they were successful restaurateurs in India, running two popular Indian restaurants in Delhi and Mumbai. They have no credit record in England but they own a four bedroom house in the suburbs of Mumbai.

Selling Sauce - Levi Roots Case Study



Task 1: Imagine you have produced a new BBQ sauce to rival others on the market. Your dream is for the sauce to be sold in national supermarkets. What do you need to consider about:

The Cost/Overheads:

The Market:

The Investment:

1. What problems might you face when starting the business?
2. Imagine you had £50,000 to invest in a new BBQ sauce, what would you want to know before you invest?

Task 2: Video: Levi Roots enters the Dragon's Den

<https://www.youtube.com/watch?v=kQTzLJCUtjk>

The following video shows Levi Roots, a chef from London, introducing his new sauce, Reggae Reggae sauce, to a group of five investors. Watch the first 3 minutes.

What's your first impression of Levi Roots?

Levi gives a lot of background and financial information about the product. Analyse the background information on the following page. From your analysis, would you invest in the product or not?

Reggae Reggae Sauce – Background information

- Looking for £50,000 of investment for a return of 20% share in the Reggae Reggae sauce company
- He's been selling the sauce for 15 years at the Notting Hill carnival in London
- Last year (2006), Levi sold 2,500 bottles at the carnival, charging £1.49 per bottle
- The sauce costs 32p per bottle to produce
- Levi needs to spend £25,000 on equipment to start producing
- The sauce market is highly competitive with lots of brands
- Levi already has an order for 2,500 kilos (Levi originally thought it was 2.5 million before an investor corrected the calculation) for the sauce, with a potential of 500 kilos per week. He gets £6.50 per litre.

Reasons for YES

Reasons for NO

Do the Dragons agree with you? Watch the video from 8 minutes 30 seconds to 14 minutes to find out the investor's decision

Making Money Lesson Plan – Teacher’s Notes

A useful lesson which teaches common banking and financial terminology, this lesson is ideal as a Business English lesson or to supplement a General English textbook topic on Money, Banking or Finance. The lesson begins with a **general discussion on methods of making money** and then moves onto **financial vocabulary**. Next, there is a **language focus on showing caution**, which leads into a **loan lending discussion** which uses the language taught in previous activities. There is then a case study looking at Reggae Reggae Sauce © by Levi Roots, a famous case of raising finance when he went into the Dragon’s Den (A popular Investment TV programme). The case study looks at reading, discussion and business finance terminology.

Answer Key – Money and Finance

Ways of Making Money

1. Gambling / going to the casino
2. Getting a loan / borrowing money from a friend
3. Playing the stock market / buying shares
4. Manual labour
5. Getting a lodger (someone who rents a room in your house)
6. Taking part in a scientific experiment

Task 2 – Vocabulary Matching – Banking Terminology

Owe	when you must give money back or are in debt to someone
Mortgage	a loan given by the bank to help someone buy a house
Lend	when the banks give money to an applicant / customer
Interest	Money a bank charges you for lending you money.
Deposit	an amount of money paid into a bank or upfront for a house.

Would you provide a loan?

Here a few suggested answers to help the discussion:

- 1) Farming is always a risky sector for banks to lend to. In fact, a lot of banks won’t even consider lending to farmers. In England, farmers have the highest suicide rate out of any job (although this is not a reason why banks don’t lend). However, there are a lot of factors that can affect how much a farmer can earn, such as the weather and the price they sell to the supermarket for. It’s an interesting argument in England that supermarket “squeeze” farmers, meaning that they force farmers to sell for the lowest price possible.

- 2) **Yes** – Clearly a very intelligent teenager with a history of success. Young and ambitious the bank would do well to invest in young talent. There is certainly a possibility for future success and if the bank backs him now, the future returns could be very good.
- No** – Young, perhaps naïve. Although he is clearly a talented engineer, he might not fully understand the business side of the business. There will inevitably be lawsuits and court cases related to patent on tablet technology (Look at Apple and Samsung at the moment). In addition, the tablet market is very competitive; Apple, Samsung and HTC (as of July 2012) have a very big market share. Can this new tablet crack the market or find a niche.
- 3) First of all, it's important to consider the following questions. Are the jobs fixed and long term? Is it problematic that they have two young children or that they are unmarried? Then we can do some working out:

They have a fixed income of £33,000 per year (ca. £30,000 after tax) which equates to £2,500 per month. Let's say they spend £600 a month on food and childcare, £150 on bills and £150 on running costs for the car and £300 miscellaneous. This leaves £1,300.

They have already saved £10,000 and so they need an extra £90,000 from the bank.

Let's take a typical fixed rate mortgage (adjustable mortgages are perhaps a bit too detailed for this task) of 10% to be repaid over 30 years, so the calculation would be:

$£90,000 / 30 \text{ years} = £3,000 \text{ per year} + 15\% \text{ interest rate} = £3,345 \text{ per year.}$

The rate seems good, but it is important to discuss the following factors:

- Relationship longevity
- Job security (potential illnesses or injuries)
- lack of credit history
- Difficulty getting references from previous landlords
- Monthly outgoings for this family

- 4) For this business loan we must consider the following:

- How many other curry restaurants are in the town?
- Can the house in India be used as guarantee / collateral?
- What must the business plan include? (Running costs, repayment plans)
- How long do they intend / are they allowed to stay in the U.K? (Visa problems?)

Important Information:

Aim: Teach participants financial vocabulary, how to show caution and improve oral fluency.

Level: Intermediate, Upper-Intermediate and Advanced.

Length of Lesson: 2 – 2.5 hours

Number of Participants required: Any number

Lesson Plan Stages

- 1) Hand out page 1 (Ways of Making Money) and, in pairs, the participants look at each picture and try to work out the method of making money. Allow 2 – 3 minutes then feedback as a class. Let participants share their ideas and when a participant says the correct answer, write it on the board. (The answers can be found on page 4 and if they don't get the answer, tell them.)
- 2) The participants then rank the 6 answers in order of 1) the riskiest and 2) the least risky. Encourage participants to give reasons for their answers. Make a note of language errors for delayed error correction. Once the participants have discussed each picture, pair up the pairs (1 pair goes together with another pair) and compare their answers. If the class is smaller (5 participants or less, hold a class discussion).

Conduct the error correction and ask the groups what they thought the riskiest and least risky methods were.

- 3) The lesson then moves onto the Banking and Financial sector. I often begin this with a discussion of the current big bank news stories. Another way is to ask “**What are the advantages and disadvantages of working for a bank?**”

The participants then look at task 2 (Vocabulary Matching – Finance Terminology) and in pairs, match the word to the correct meaning. (These words will be used again later in the lesson). Once the participants are finished, review the answers as a class (Answers can be found on page 4).

- 4) The bank discussion questions at the top of page 2 are optional. If you would like to extend the discussion, you can use these questions; if not, you can proceed from task onto “Showing Caution” exercise at the bottom of page 2.
- 5) Showing Caution:
Mono-lingual class from the same city – Tell the participants that you are new to town / or you have a friend who is new to the town (It depends how long you have been teaching the class). You / they scare quite easily so they want to know what to be aware of in the town. People, things or places they should avoid. Pair the participants and ask them to write three things down.
Multi-lingual class studying in the same city – Pair the participants and tell them to write down 3 things they would tell others to avoid doing / be aware of in the town. This can be things they find dangerous, boring, and generally not good. Ask them to discuss and write down 3 ideas.

Elicit ideas from the class and write some of the better ones on the board (this is also a nice activity for language correction). In my experience, answers will begin with “Don’t go / Don’t do” (the use of Don’t to express caution or avoidance).

Take one example from the discussion, let’s say for example.

“Don’t walk through the main street after 10 o clock”

Then take highlight the beginning of the phrase and say there are other ways to begin this sentence. Elicit a few ideas from the class and then write the following on the board:

I would be wary of + verb ‘ing’ In case

I think we should avoid + verb ‘ing’ In case

It would be a bad idea to + verb ‘infinitive’ In case.....

Tell the participants that these are common phrases used to show caution in English. Then give one example using an idea from the previous discussion, for example:

“I would be wary of walking through the main street after 10 o clock.”

Elicit other example from the participants using all three of the phrases above. For example:

“I would be wary of buying the cheapest product”

“I think you should avoid the X cafe, they do really bad coffee”

“It would be a bad idea to go out before your exam”

Highlight the form of the three phrases and tell the participants we sometimes introduce “in case” to give a reason for the caution, for example:

“I would be wary of buying the cheapest product in case the quality is very bad.”

Then ask the participants to write three sentences with this language using the 3 situations at the very bottom of page 2:

You see an opened, untouched bottle of water on the table

You need to get £10,000 in two days

You have seen a 4 bedroom house for sale for £10,000

Feedback as a group and correct where necessary

6) Would you provide a loan? – Ask the participants the following questions and discuss:

“Why do people get loans”

“What are the positives and negatives of getting a loan?”

Hand out the worksheet “Would you provide a loan?” Pair or group the participants and ask them to discuss each applicant. They must answer the question “Would you provide a loan?” and give detailed reasons for their answers. Allow ample time to complete and feedback as a class once they have made notes on all applicants.

7) Selling Sauce – Levi Roots Case Study

Background

In 2006, Levi Roots appeared on the popular TV programme, Dragon's Den, a programme where people can go to seek investment for their product or service from 5 investors or dragons. He wanted investment for his secret recipe sauce, Reggae Reggae Sauce.

For those who are not familiar with the Levi Roots story, you can watch a short video about him on Youtube at <https://www.youtube.com/watch?v=MschXe3-DEs>
Or read about him on Wikipedia at http://en.wikipedia.org/wiki/Levi_Roots
For more information about the show, Dragon's Den, you can also read the following article: http://en.wikipedia.org/wiki/Dragons%27_Den#United_Kingdom

Teaching Method:

1) Begin with a picture of BBQ sauce on the board and underneath write "The New BBQ Sauce." Briefly explain that the participants have invented a new BBQ sauce and that it's the best in the world. The trouble is, nobody knows about it. In pairs or groups, ask the participants to think of ways to market the sauce. Give the participants 5 minutes then hold a class feedback session. Elicit new words and phrases and write these on the board.

2) Next, ask the participants to think about potential difficulties when introducing the sauce to the market. To do this, ask the participants to discuss the following 3 categories, with the question: **What do you need to consider in the following 3 areas?**

The Cost/Overheads:

some ideas:

Cost of Manufacturing Plant
Cost of Ingredients
Profit Margins

The Market:

Who are the competitors?
What other BBQ sauces are there?
Who is the target market?

The Investment:

How much do you need?
Who will you ask?
What securities do you have?

Depending on the level and confidence of the class, this can be done as a class or in groups.

3) As a class, discuss question 1 and 2 task 1 as a class.

4) Ask the participants what they know about the TV programme "Dragon's Den," in particular, what happens in the show. Briefly tell them about Levi Roots, using the background at the top of this page. Show the participants the first 3 minutes of the clip and ask the participants make notes about their first impression of Levi Roots. Discuss this as a class and ask is there the possibility for investment?

5) Next, the participants start to find an answer to this question. Hand out page 5 to the participants and ask them to analyse the data in groups. Participants must calculate the figures and draw conclusions whether they would invest or not and why. Allow 10 minutes then conduct feedback as a class.

6) Participants then watch the next clip (8 mins → 14.30 mins) and see what the investors think.