**Unit 2: Budgeting**

“By failing to plan, you’re planning to fail”

Benjamin Franklin, Founding father of the United States, 1706-1790

Budgeting is the process by which a company plans its income and expenditure over a given period, usually a year.

The process begins by estimating monthly sales, taking into account only actual cash receipts. Then periodic cash outflows are estimated: salaries, supplier payments, loan repayments, taxes, rent…. If the company plans to sell financial securities or another asset such as equipment, or if it plans to acquire a new asset, these two actions will generate cash **inflows** or **outflows** that must be included in the budget.

The reconciliation of cash inflows and outflows for the period gives the **cash balance**, and the aim is to plan expenditure carefully to avoid a negative balance. Conversely, if the budget shows positive cash balances, the company must ensure that it makes the most of these short-term savings by investing in the purchase of financial securities.

This is the main task of the company's finance department. Good planning is essential to avoid recourse to debt, known as bank **overdrafts**. The company's operating activities must not be financed by bank loans.

The finance department is responsible for monitoring the execution of the budget on a monthly basis, updating the annual plan in line with actual performance so that it knows how the year will end. It must also identify any **deviations** from **forecasts**, analyze them and explain where they come from.

**Comprehension:**

* What is the bank overdraft?
* When the company is overdrawn?
* What are the main missions of the finance department?
* How to make the most of positive cash balances?

**Vocabulary:**

1. Find in the text synonyms of these words: supervising, principal, loan, expenses.

**Grammar: *Determiners: definite and indefinite articles I***

Determiners are words placed in front of the noun to define it or to give information about. Here are all kinds of determiners:

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| 1. Definite and indefinite articles.  2. Demonstrative.  3. Possessive.  4. Quantifiers.  5. Numbers.  6. Distributive.  7. Determiners of difference.  8. Interrogative determiners. | The, a, an.  This, that, these, those.  My, your, his, her, our, their, its.  A few, a little, much, most, enough, many, a lot of, some, any…  One, ten, thirty….  All, both, each, either, half, neither, every…  Other, another.  Which, what, whose. |

1. *Definite article* ***THE*** articles in English are invariable. That is, they do not change according to the gender or number of the noun they refer to, e.g. the boy, the woman, and the children. Articles are necessarily used with all countable nouns.

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| **« The » is used** | **Examples** |
| 1**.** To refer to something that has already been mentioned. | When we were in a vacation, we stayed at **a** hotel. In the evenings, sometimes we had dinner at **the** hotel and sometimes in **a** restaurant. We found **the** restaurant next to **the** hotel very interesting. |
| 2. When both the speaker and listener know what is being talked about, even if it has not been mentioned before.  3. In sentences or clauses where we define or identify a particular person or object | Where's the bathroom?  - It's on the first floor.  Which book are you reading? The red one. |
| 4. To refer to objects we regard as unique. | The sun, the moon, the world… |
| 5. Before superlatives and ordinal numbers. | The highest building, the first page, the last chapter… |
| 6. With adjectives, to refer to a whole group of people or famous people. | The Japanese, the old, the young…  Shakespeare, the English writer… |
| 7. With names of geographical areas and oceans, rivers, mountains, desert. | The Sahara, the Atlantic, the Mississippi River, the Black Sea… |
| 8. With decades, or groups of years. | She grew up in the seventies |
| 9. Directions | The west, the south-east… |