UNIVERSITY of CAMBRIDGE
ESOL Examinations

Experts in Language Assessment

International Certificate in Financial English

Past Examination Paper
Listening

May 2007

University of Cambridge ESOL Examinations
1 Hills Road
Cambridge
CB1 2EU United Kingdom

Tel. +44 1223 553355
Fax. +44 1223 460278
e-mail ESOL@CambridgeESOL.org
www.CambridgeESOL.org

ALTE Association of Language Testers in Europe

PART OF THE CAMBRIDGE ASSESSMENT GROUP

INTERNATIONAL CERTIFICATE IN FINANCIAL ENGLISH

May 2007

Test of Listening

Past Paper Pack

Contents

Centre Number	Candidate Number

Candidate Name ______________________

UNIVERSITY OF CAMBRIDGE ESOL EXAMINATIONS

English for Speakers of Other Languages

INTERNATIONAL CERTIFICATE IN FINANCIAL ENGLISH **D020/3**

Test of Listening

Saturday **12 MAY 2007** Morning Approx. 40 minutes

Additional materials:
Answer sheet

TIME Approx. 40 minutes

INSTRUCTIONS TO CANDIDATES

Do not open this question paper until you are told to do so.

Write your name, Centre number and candidate number in the spaces at the top of this page and on the separate answer sheet if they are not already printed.

There are thirty questions in this paper.

Read the instructions carefully.

Answer **all** questions.

You should write your answers in the spaces provided on the question paper. You will have five minutes at the end to **transfer them to the separate answer sheet**.

At the end of the examination, hand in both the question paper and the answer sheet.

INFORMATION FOR CANDIDATES

This paper requires you to listen to a selection of recorded material and answer the accompanying questions.

There are four parts to the test. Each part of the test will be heard twice.

There will be a pause before each part to allow you to look through the questions, and other pauses to let you think about your answers.

All questions carry one mark.

This question paper consists of 6 printed pages and 2 blank pages.

Part 1

Questions 1 – 6

You will hear three different extracts.
For questions **1 – 6**, mark one letter (**A**, **B** or **C**) for the correct answer.
There are two questions for each extract. You will hear each extract **twice**.

Extract One

You will hear two partners at an investment bank discussing a candidate they have just interviewed for a job.

1 Which quality does the man think is particularly valuable in the candidate?

- **A** his potential for promotion to a leadership position
- **B** his breadth of post-qualifying experience
- **C** his willingness to work as part of a team

2 What is the woman's reservation about the candidate?

- **A** He is not experienced in an audit environment.
- **B** He is not entirely confident in using their software.
- **C** He is not committed to working in banking.

Extract Two

You will hear part of a speech about job losses by the CEO of a major car manufacturer.

3 What does the speaker say is the cause of the redundancies?

- **A** Consumer spending has slowed down.
- **B** The supply of raw materials has been interrupted.
- **C** There has recently been a rise in inflation.

4 What does the speaker feel about the company's situation?

- **A** surprised that profits exceeded estimates
- **B** confident about raising dividends
- **C** cautious about forecasts for the future

Extract Three

You will hear a director of a financial services company talking about a new award scheme called the Sustainable Banking Awards.

5 The speaker says the Sustainable Banking Awards are

- **A** helpful to clients when choosing financial services.
- **B** a reflection of a development in the financial sector.
- **C** likely to change the public's perception of financial institutions.

6 Why does the speaker have a personal interest in the Awards?

- **A** He is one of the judges for the Awards.
- **B** He proposed the idea for the Award scheme.
- **C** He has been a consultant for the Award scheme.

Part 2

Questions 7 – 11

You will hear a conversation between two colleagues, Fiona, a technician, and Tom, a senior accountant, about Parcoe Metals Inc, one of Fiona's clients.
For questions **7 – 11**, choose the best answer **A**, **B** or **C**.
You will hear the recording **twice**.

---

7 Fiona is worried because Parcoe's Return on Capital Employed

A has fallen for the second year running.
B is lower than the industry average.
C will have a negative effect on shareholders.

8 What does Fiona say about Parcoe's debtors' collection period?

A It reflects the fact that the company has some bad debts.
B It has remained unchanged for two years.
C It shows a need for better management of working capital.

9 What does Fiona refer to in connection with Parcoe's creditor payment situation?

A new credit control procedures
B improvements in the payment period
C problems in the company's cash position

10 What does Fiona suggest as a possible explanation for the change in Parcoe's operating costs?

A larger bills for the upkeep of its equipment
B the purchase of more up-to-date plant
C a decrease in the efficiency of machine operators

11 What is the situation regarding Parcoe's stock management?

A It keeps stock for a shorter period than is usual in the industry.
B It is working to reduce the quantity of goods it keeps in stock.
C It intends to improve its control of inventory management.

Part 3

Questions 12 – 20

You will hear a lecturer introducing a case study to a group of finance students.
For questions **12 – 20**, complete the sentences using up to **three** words.
You will hear the recording **twice**.

Case study: Collapse of Dalton’s electrical goods chain

Background

Dalton’s had been facing greater competition from some **(12)** ……………….. for several years.

Previous attempts to **(13)** ……………….. Dalton’s or re-finance the business had failed.

The collapse

Dalton’s was unable to make **(14)** ……………….. payments which were due.

Staff were afraid that the **(15)** ……………….. that was run by ISQ Insurance would be short of money.

ISQ Insurance stated that the scheme was administered by a **(16)** ……………….. who was external to Dalton’s.

MacDougall Capital

At the time of the collapse, Dalton’s belonged to MacDougall Capital, a **(17)** ……………….. firm.

MacDougall believed it was entitled to receive **(18)** ……………….. in connection with its purchase of Dalton's.

MacDougall found a number of serious **(19)** ‘………………..’ in Dalton’s accounts.

MacDougall claimed to have found a total **(20)** ……………….. of £3.7m.

Part 4

Questions 21 – 30

You will hear five short extracts in which five different people are giving advice about investing in various companies. Part Four consists of two tasks.

TASK ONE

For questions **21 – 25**, choose from the list **A – F** the comment each speaker makes about the company's past performance.

TASK TWO

For questions **26 – 30**, choose from the list **A – F** the reason each speaker gives for not investing in the company.

You will hear the recording twice. While you listen you must complete both tasks.

TASK ONE

A It has made steady organic growth.

B It has maintained market share.

C It has improved its management systems.

D It has achieved vertical integration.

E It has sold a loss-making division.

F It has made money through exploiting its rights to a patent.

Speaker 1........**(21)**

Speaker 2........**(22)**

Speaker 3........**(23)**

Speaker 4........**(24)**

Speaker 5........**(25)**

TASK TWO

A Its right to use a product is disputed.

B Its new ventures abroad may be difficult to maintain.

C It operates in a declining sector.

D It is heavily in debt.

E Its profit margins are likely to be squeezed.

F Its shares are overpriced.

Speaker 1........**(26)**

Speaker 2........**(27)**

Speaker 3........**(28)**

Speaker 4........**(29)**

Speaker 5........**(30)**

UNIVERSITY of CAMBRIDGE
ESOL Examinations

Candidate Name
If not already printed, write name in CAPITALS and complete the Candidate No. grid (in pencil).

Candidate's Signature

Examination Title

Centre

Session

Centre No.

Candidate No.

Examination Details

0	0	0	0
1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5
6	6	6	6
7	7	7	7
8	8	8	8
9	9	9	9

Supervisor:
If the candidate is ABSENT or has WITHDRAWN shade here

Listening Answer Sheet

Instructions

Use a PENCIL (B or HB).

Rub out any answer you wish to change with an eraser.

For **Parts 1, 2** and **4:**
Mark ONE box for each question.

For example, if you think **C** is the right answer to the question, mark your answer sheet like this:

0	A	B	C

For **Part 3:**
Write your answers in CAPITAL LETTERS like this:

0 EXAMPLE

Part 1

1	A	B	C
2	A	B	C
3	A	B	C
4	A	B	C
5	A	B	C
6	A	B	C

Part 2

7	A	B	C
8	A	B	C
9	A	B	C
10	A	B	C
11	A	B	C

Turn over for Parts 3 and 4

Part 3

Do not write below here

12		12 1 0 u
13		13 1 0 u
14		14 1 0 u
15		15 1 0 u
16		16 1 0 u
17		17 1 0 u
18		18 1 0 u
19		19 1 0 u
20		20 1 0 u

Part 4

Task One

21	A	B	C	D	E	F
22	A	B	C	D	E	F
23	A	B	C	D	E	F
24	A	B	C	D	E	F
25	A	B	C	D	E	F

Task Two

26	A	B	C	D	E	F
27	A	B	C	D	E	F
28	A	B	C	D	E	F
29	A	B	C	D	E	F
30	A	B	C	D	E	F

INTERNATIONAL CERTIFICATE IN FINANCIAL ENGLISH

May 2007 Transcript

Part One

Extract One.

M: So shall we compare notes about the candidate?

F: OK.

M: Well, I felt he performed rather well. I think he's got what it takes to be a useful member of our financial team, especially since we're looking for someone to work on projects in partnership with our Operational Risk team. He demonstrated the skills needed for that kind of co-operation, and he's clearly ready to take on the challenge. He's only got the minimum amount of experience required after qualifying, of course, but he's got potential. It's still fairly early to say whether he's leadership material, but who knows?

F: Mmm, well, I agree with you up to a point. I was impressed by his apparent knowledge of the kind of software we use, although we didn't really test him out. I wonder if he's had enough involvement in an audit environment, though – that was one of our requirements, after all, and we did ask for someone who's had experience in risk assessments. He seemed less confident in that area, I felt, although he does clearly see his future in investment banking. And I agree he has potential …

M: Well, let's interview the other candidate before we decide …

Extract Two

M: And now to our plans for the company. As you may have read in the press, we are having to lose up to 10,000 of our staff as part of our restructuring programme, aimed at improving efficiency and cutting costs. We are facing difficult times. Of course, inflation at the moment has remained relatively stable, which should be good news for us. However, it's proving very tough to tempt consumers into buying new products, which is particularly worrying when we may have to face a rise in the costs of raw materials.

We have been working with the unions to reach a fair agreement over how many jobs should be lost. We intend to use early retirement and voluntary redundancy packages as much as possible.

We feel that with these changes we will emerge as a much more streamlined company. As I personally predicted, we have already reported a preliminary net profit of 1.1bn euros for last year, beating analysts' estimates, and we are forecasting an increase in sales and operating profit, so I have no hesitation in proposing a rise in our dividend to 1.15 euros per share …

Extract Three

M: Sustainability issues are a core component of banking risk management, and are increasingly being recognised as potential business generators. The launch of the Sustainable Banking Awards recognises this emerging trend and the important role that banking can play in contributing to sustainability overall. These awards can be seen as one of the ways to bring sustainability into the provision of financial services. In my opinion it is no longer an optional add-on. It has to be part of every company's strategy, and their brand.

I commend this initiative as an important contribution to the financial services industry, and on a personal level, I'm honoured to have been appointed to the panel of assessors. My firm is one of the world's leading financial services companies, and we recognise that we have a responsibility not only to maintain but also to promote high standards in everything we do, and that includes sustainability standards for our sector. Financing economic growth, while addressing environmental and social impacts, is important to shareholders, employees and clients. We think sustainability makes good business sense and should be key to growth strategy throughout the industry.

Part Two

F: Tom, I've just had the summary of performance for Parcoe Metals Inc.

M: They're new clients of yours, aren't they, Fiona? How are they doing?

F: Well, I think Parcoe needs to be careful. I've been looking at their performance over the last two years. I suppose the most serious thing is Return on Capital Employed. Two years ago their results were satisfactory, but there was a significant decline in profitability last year to a level well below that for the sector as a whole. Fortunately there's no sign of nervousness amongst the investors. Something to be grateful for.

M: But it must be down to more than one factor.

F: I'm still trying to work out the causes, but I've got a few indicators. For example, the debtors' collection period. To me, this measurement is an important element in the assessment of the management's control of its working capital. Parcoe's debtor day period increased from 60 days to 65 days, which indicates that tighter controls are required here, as the period is now above the sector average. If this trend continued upward, we'd need to be assured that the company isn't exposing itself to the possibility of bad debts. What do you think?

M: Yes I agree. And what about creditor payment period?

F: The picture is more positive here. Parcoe's creditor payment period is typical of the sector as a whole. There was a reduction in creditor days from 75 two years ago to 69 last year with 70 days being the benchmark for the sector. Parcoe achieved it because it wisely used some of the excess cash generated from its operating activities to reduce its reliance on creditors.

M: Have you had a chance to look at operating costs as a percentage of sales?

F: Not in any detail yet, but I have discovered that there was a significant change in the relationship of operating costs to sales last year – up from 82% to 87%, which suggests that operating overheads and some other direct costs need tighter control. Parcoe's has been going for a long time, and it may be that the company has ageing plant, and, if that's the case, maintenance charges are probably on an upward trend. I'll have to look at all the relevant factors and do an analysis to assess the change in efficiency.

M: Sometimes the figures for Finished Goods Stock are significant.

F: Right. I've been focusing on Finished Goods Stock in Days, also looking at total stocks i.e.: raw materials, work in progress and finished goods. And this looks OK. The company isn't sacrificing liquidity by tying up excess working capital in the form of stocks. In fact, it was holding less than one month's supply last year as opposed to the industry average of 38 days and its inventory management shows better control than that for the sector as a whole.

M: Well, that's not too bad a picture.

Part Three

F: In this morning's case study, we're going to be looking at what happened when a retail chain went into administration. So let me start by giving you some background information.

Dalton's was a British electrical goods chain that'd been a familiar name in the High Street for over fifty years, and news of its collapse came as something of a shock to employees, shareholders and the general public.

For several years, Dalton's had been suffering from increased competition from a number of supermarkets, several of which had been following a strategy of aggressive expansion of non-food lines, including electrical goods. Dalton's directors had made attempts to restructure the business, but without success. Eleventh-hour attempts to come up with a satisfactory refinancing plan also failed. Only a week before the collapse, four hundred staff were made redundant, in a last-ditch attempt to cut costs.

When it became clear that Dalton's was about to default on interest payments to the banking group which was its major secured creditor, the bank appointed joint administrators from a big accountancy firm. They quickly identified a black hole of thirteen million pounds.

The administrators issued a statement announcing that all the group's three hundred stores would close with immediate effect. Staff not only lost their jobs, but were concerned that deductions from their salaries in the previous two months had yet to arrive in the pension fund operated for the company by ISQ Insurance. This caused considerable concern, as there had been cases of money being stolen in similar circumstances when other companies had been in financial difficulties. However, ISQ Insurance gave assurances that the scheme was deposited with an external trustee, and so ring-fenced from Dalton's collapse.

The failure of the company also prompted bitter recriminations from MacDougall Capital, the private equity business which owned Dalton's. MacDougall had bought the business six months earlier, for thirty-two million pounds, but was now facing losses on the deal. In a statement it said that it intended to commence legal action to recover damages resulting from its acquisition of Dalton's, by suing the company's former directors, shareholders and auditors – that is, those from the time when MacDougall had bought the business. *(pause)* MacDougall claimed that inspection of the accounts for the six years immediately prior to its purchase of Dalton's had brought to light what it referred to as gross irregularities. Compared with positive net asset value of nine point five million pounds at the time MacDougall took ownership of the business, there was a deficiency of three point seven million pounds, representing a variance of thirteen point two million pounds. However, analysts were not confident that MacDougall would recover the money it claimed to have lost.

Part Four

Speaker 1

M: Granger is something of a dark horse in the computer industry. For years, it seemed to be an unimaginative, middle-of-the-road business, with growth in one year just as likely to be offset by contraction the following year. Yet out of the blue, it came up with an operating system for computers that really took off, and it's made a fortune through licence agreements. On the strength of this, the company has set up several overseas subsidiaries, but I suspect it'll only be in a position to sustain these for a limited time: my view is that its one success is the exception rather than the rule, and that it would be sensible not to invest in the company.

Speaker 2

F: Fletcher Brothers is an innovative company, whose core activity is tool manufacture. I must admit it's made some very sensible decisions. It recently found a customer for its freight business, which had been losing money for several years. This meant Fletcher Brothers was able to reduce its debts considerably. Although its stock market performance is currently among the best in its sector, in my opinion, this is an exaggerated response to past success, and I really can't see any reason for it to continue. So I'd recommend not investing in the company. It'd be worth reconsidering the company in a year's time though, when a clearer picture emerges of its prospects.

Speaker 3

M: One company that might be worth investing in is Markway Printing. It has a track record of consistent, and quite impressive, expansion – mainly through a merger with its major supplier and another with a High Street printing service. As a result it now sells direct to the end-user, which greatly reduces its dependence on retailers, and improves its chances of future profits. However, I'd advise against investing in Markway just yet, as it's currently being sued by a company called Jackson. The allegation is that Markway failed to pay for permission to print with software which Jackson had patented. If Markway loses the case, it's likely to have to pay considerable damages.

Speaker 4

F: In the five years it's existed, Alliance Steel has done quite well: it's attracted some new customers, and its bottom line has shown healthy – while not spectacular – year-on-year increases, despite some reduction in market share. However, even though Alliance is performing well at present, the question in my mind is whether there's a future for the company. Its competitors are beginning to feel the chill wind of falling demand, and it seems to me that Alliance has nothing to save it when other steel firms are already going under. So I'd advise against buying shares in the company.

Speaker 5

M: A few months ago I might have recommended investing in Jaycourt, the furniture retailer. It's a business with strong brand equity, which has stood it in very good stead. The home furnishing sector has been pretty static recently, but while customers have been deserting one or two of the biggest companies in favour of some of the smaller players, Jaycourt has held on to its position. On the negative side, though, rises in the prices of raw materials will soon feed through, and I really don't think Jaycourt is in a position to pass these on to the consumer – it will simply have to absorb them.

Answer key

One mark is given for each item answered correctly. The total score is then adjusted to give a score out of 50 representing 25% of the total for the examination.

Part 1

1 C
2 A
3 A
4 B
5 B
6 A

Part 2

7 B
8 C
9 B
10 A
11 A

Part 3

12 SUPERMARKETS
13 RE(-)STRUCTURE
14 INTEREST
15 PENSION FUND
16 TRUSTEE
17 PRIVATE EQUITY
18 DAMAGES
19 (GROSS) IRREGULARITIES
20 DEFICIENCY

Part 4

21 F
22 E
23 D
24 A
25 B
26 B
27 F
28 A
29 C
30 E