A READING TEST

Name of Respondent :...

Department :...

Time Allocation :

- 15 minutes for reading the text and doing multiple choice questions
- 10 minutes for doing the written recall protocol

THANKS

Bacalah bacaan dibawah ini dengan seksama. Setelah itu anda akan diminta untuk menjawab beberapa pertanyaan pilihan ganda, serta menceritakan kembali isi bacaan tersebut (dalam hal ini anda tidak boleh melihat bacaan kembali)

To ensure a company's long term survival and prosperity, finance managers need to make decisions about the *gearing* of the company. Gearing is the relationship between equity capital invested in the business and long term debt. The higher the gearing (in other words, the greater the proportion of long term debt), the more exposed the company is ion times of economic difficulty.

The first form of equity is owner's capital. This is the most exposed form of capital since a return is received only after all other calls on a company's profits have been satisfied. In an extreme case-bankruptcy-the owner's equity will be repaid only after everyone else, including employees, creditors, banks etc, has received what they are owed. On the other hand, in successful times, the owners have a claim on all the net profit of the company.

An owner does not need to rely on his or her own funds. She/he can go to other sources of equity finance. There are three main sources: firstly *venture capital* : this is usually provided by venture firms interested in financing high-growth companies. However, the provider usually demands a much faster and higher rate of return than an owner would expect from his/her own capital. On the other hand, the venture capital company does not usually interfere the running of the company.

Another source of equity finance is the *unlisted securities market*-sometimes called the second or third market. This has advantage of allowing a company to raise money from outside investors without losing much control of the company.

The last source is available only to large companies, the *stock exchange*. If a company gain a listing on the stock Exchange, this will provide the long-term opportunity of raising capital by issuing fresh shares. However, at least 25 percent of the equity must be in public hands thereby reducing the control of the original owners.

Companies prepared to increase their gearing can raise capital through long-term loans. They can go to sources such as the clearing banks, merchant banks, even pension funds. However, in all three cases they will usually secure their debt over the fixed assets of the business and, of course, interest must be paid, usually linked to bank base rate.

In times of prosperity, a high gearing will give the owners a much better return as net profits will be a much higher percentage of equity even after interest payments on the long term debt. However, in harder times, the owner's earnings will drop dramatically as interest payments soak up most of the company's profits.

Pilihlah salah satu jawaban yang paling tepat sesuai bacaan!

1. According to the passage, which statement is true:

a. When the company is in the bankruptcy, the first priority of a return falls to the owner.
b. When the company is in the bankruptcy, employees and creditors must be waiting to be paid until the company get the profit again.
c. Employees, creditors and banks must provide extra funds to recover the company.
d. The owner will be the most disadvantage person.
e. It is an obligation for the owner to pay the creditors in the last priority.

2. The original owner will loss much control of his company when he gets the funds from:

A. venture capital
B. capital stock
C. unlisted securities market
D. capital allowances
E. stock exchange

3. When the company wants to make higher their gearing, they can get more additional of capital from:

A. Pension funds
B. Venture capital
C. owner's capital
D. Stock exchange
E. Unlisted securities market.

4. The opposite of venture capital is:

A. The high risk capital

B. The capital loss

C. The capital gain

D. The capital stock

E. The security capital

5. If we compare the rule of the stock exchange and the rule of unlisted securities market (USM):

A. The rules of USM are much more formal than the stock exchange

B. The rules of stock exchange are less formal than the USM

C. The rules of USM are the same as that of stock exchange

D. The rules of the USM is less formal than the stock exchange

E. There is no difference between the rule of USM and stock exchange.

6. What does this passage mainly discuss?

A. Kinds of equity

B. Gearing

C. Negotiating a loan

D. sources of funds

E. the capital

7. The safer method of increasing working capital is:

A. to get the funds from venture capital

B. to plough back profits

C. to get long term loans

D. to get funds from USM

E. to get funds from stock exchange

8. Venture capital is usually invested by:

A. merchant banks

B. clearing banks

C. high-growth companies

D. venture firms

E. large companies.

cERITAKAN KEMBALI ISI BACAAN DIATAS SEJELAS-JELASNYA SESUAI DENGAN YANG TELAH ANDA PAHAMI (DALAM BAHASA INDONESIA)